

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File Number: 333-31929

DISH DBS Corporation

(Exact name of registrant as specified in its charter)

Colorado

(State or other jurisdiction of incorporation or organization No.)

84-1328967

(I.R.S. Employer Identification No.)

**9601 South Meridian Boulevard
Englewood, Colorado**

(Address of principal executive offices)

80112

(Zip code)

(303) 723-1000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer
(Do not check if a smaller reporting company)

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 1, 2010, the registrant's outstanding common stock consisted of 1,015 shares of common stock, \$0.01 par value.

The registrant meets the conditions set forth in General Instruction (H)(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format.

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* This item has been omitted pursuant to the reduced disclosure format as set forth in General Instruction (H)(2) of Form 10-Q.

PART I – FINANCIAL INFORMATION**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

We make “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 throughout this report. Whenever you read a statement that is not simply a statement of historical fact (such as when we describe what we “believe,” “intend,” “plan,” “estimate,” “expect” or “anticipate” will occur, and other similar statements), you must remember that our expectations may not be achieved, even though we believe they are reasonable. We do not guarantee that any future transactions or events described herein will happen as described or that they will happen at all. You should read this report completely and with the understanding that actual future results may be materially different from what we expect. Whether actual events or results will conform with our expectations and predictions is subject to a number of risks and uncertainties. The risks and uncertainties include, but are not limited to, the following:

- Weak economic conditions, including higher unemployment and reduced consumer spending, may adversely affect our ability to grow or maintain our business.
- We face intense and increasing competition from satellite television providers, cable television providers and telecommunications companies which may require us to increase subscriber acquisition and retention spending or accept lower subscriber acquisitions and higher subscriber churn.
- If we do not maintain our operational performance and customer satisfaction, our gross new subscriber additions may decrease and our subscriber churn may increase.
- If DISH Network gross new subscriber additions decrease, or if subscriber churn, subscriber acquisition costs or retention costs increase, our financial performance will be adversely affected.
- If we are unsuccessful in overturning the District Court’s ruling on Tivo’s motion for contempt, we are not successful in developing and deploying potential new alternative technology and we are unable to reach a license agreement with Tivo on reasonable terms, we would be subject to substantial liability and would be prohibited from offering DVR functionality that would result in a significant loss of subscribers and place us at a significant disadvantage to our competitors.
- Emerging digital media competition including companies that provide/facilitate the delivery of video content via the Internet could materially adversely affect us.
- We depend on others to provide the programming that we offer to our subscribers and, if we lose access to this programming, our gross new subscriber additions may decline and subscriber churn may increase.
- We may be required to make substantial additional investments to maintain competitive high definition, or HD, programming offerings.
- Technology in our industry changes rapidly and could cause our services and products to become obsolete.
- We may need additional capital, which may not be available on acceptable terms or at all, to continue investing in our business and to finance acquisitions and other strategic transactions.
- AT&T’s termination of its distribution agreement with us may increase churn.
- As technology changes, and to remain competitive, we may have to upgrade or replace subscriber equipment and make substantial investments in our infrastructure.
- We rely on EchoStar Corporation, or EchoStar, to design and develop all of our new set-top boxes and certain related components, and to provide transponder capacity, digital broadcast operations and other services for us. Our business would be adversely affected if EchoStar ceases to provide these services to us and we are unable to obtain suitable replacement services from third parties.
- We rely on one or a limited number of vendors, and the inability of these key vendors to meet our needs could have a material adverse effect on our business.
- Our programming signals are subject to theft, and we are vulnerable to other forms of fraud that could require us to make significant expenditures to remedy.

- We depend on third parties to solicit orders for DISH Network services that represent a significant percentage of our total gross subscriber acquisitions.
- Our competitors may be able to leverage their relationships with programmers so that they are able to reduce their programming costs and offer exclusive content that will place them at a competitive advantage to us.
- We depend on the Cable Act for access to programming from cable-affiliate programmers at cost-effective rates.
- We face increasing competition from other distributors of foreign language programming that may limit our ability to maintain our foreign language programming subscriber base.
- Our local programming strategy faces uncertainty because we may not be able to obtain necessary retransmission consents from local network stations.
- We are subject to significant regulatory oversight and changes in applicable regulatory requirements, including any adoption or modification of laws or regulations relating to the Internet, could adversely affect our business.
- We have substantial debt outstanding and may incur additional debt.
- We have limited owned and leased satellite capacity and satellite failures could adversely affect our business.
- Our owned and leased satellites under construction are subject to risks related to construction and launch that could limit our ability to utilize these satellites.
- Our owned and leased satellites in orbit are subject to significant operational and environmental risks that could limit our ability to utilize these satellites.
- Our owned and leased satellites have minimum design lives ranging from 12 to 15 years, but could fail or suffer reduced capacity before then.
- We generally do not have commercial insurance coverage on the satellites we own and could face significant impairment charges if one of our satellites fails.
- We may have potential conflicts of interest with EchoStar due to DISH Network Corporation's ("DISH") common ownership and management.
- We rely on key personnel and the loss of their services may negatively affect our businesses.
- We are party to various lawsuits which, if adversely decided, could have a significant adverse impact on our business, particularly lawsuits regarding intellectual property.
- We may pursue acquisitions and other strategic transactions to complement or expand our business that may not be successful and we may lose up to the entire value of our investment in these acquisitions and transactions.
- Our business depends on Federal Communications Commission, or FCC, licenses that can expire or be revoked or modified and applications for FCC licenses that may not be granted.
- We are subject to digital HD "carry-one-carry-all" requirements that cause capacity constraints.
- Our ultimate parent, DISH, is controlled by one principal stockholder who is also our Chairman, President and Chief Executive Officer.
- There can be no assurance that there will not be deficiencies leading to material weaknesses in our internal control over financial reporting.
- We may face other risks described from time to time in periodic and current reports we file with the Securities and Exchange Commission, or SEC.

All cautionary statements made herein should be read as being applicable to all forward-looking statements wherever they appear. Investors should consider the risks described herein and should not place undue reliance on any forward-looking statements. We assume no responsibility for updating forward-looking information contained or incorporated by reference herein or in other reports we file with the SEC.

In this report, the words “DDBS,” the “Company,” “we,” “our” and “us” refer to DISH DBS Corporation and its subsidiaries, unless the context otherwise requires. “DISH” refers to DISH Network Corporation, our ultimate parent company, and its subsidiaries including us. “EchoStar” refers to EchoStar Corporation and its subsidiaries.

Item 1. FINANCIAL STATEMENTS

DISH DBS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share amounts)
(Unaudited)

	As of	
	June 30, 2010	December 31, 2009
Assets		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 265,032	\$ 98,226
Marketable investment securities	1,670,312	1,709,131
Trade accounts receivable - other, net of allowance for doubtful accounts of \$19,247 and \$16,372, respectively	815,639	741,351
Trade accounts receivable - EchoStar, net of allowance for doubtful accounts of zero	11,498	38,347
Inventory	464,283	295,950
Deferred tax assets	188,744	189,058
Other current assets	62,534	61,730
Total current assets	3,478,042	3,133,793
<i>Noncurrent Assets:</i>		
Restricted cash and marketable investment securities	131,744	128,474
Property and equipment, net of accumulated depreciation of \$2,626,343 and \$2,486,734, respectively	2,902,467	2,601,180
FCC authorizations	679,570	679,570
Other investment securities	2,805	2,805
Other noncurrent assets, net	70,288	72,971
Total noncurrent assets	3,786,874	3,485,000
Total assets	\$ 7,264,916	\$ 6,618,793
Liabilities and Stockholder's Equity (Deficit)		
<i>Current Liabilities:</i>		
Trade accounts payable - other	\$ 156,204	\$ 141,213
Trade accounts payable - EchoStar	339,042	269,542
Deferred revenue and other	820,525	815,864
Accrued programming	1,066,488	985,928
Tivo litigation accrual	454,468	393,566
Other accrued expenses	546,322	485,637
Current portion of long-term debt and capital lease obligations	28,694	26,518
Total current liabilities	3,411,743	3,118,268
<i>Long-Term Obligations, Net of Current Portion:</i>		
Long-term debt and capital lease obligations, net of current portion	6,477,876	6,470,046
Deferred tax liabilities	398,571	370,226
Long-term deferred revenue, distribution and carriage payments and other long-term liabilities	256,908	291,565
Total long-term obligations, net of current portion	7,133,355	7,131,837
Total liabilities	10,545,098	10,250,105
Commitments and Contingencies (Note 8)		
<i>Stockholder's Equity (Deficit):</i>		
Common stock, \$.01 par value, 1,000,000 shares authorized, 1,015 shares issued and outstanding	-	-
Additional paid-in capital	1,164,443	1,154,614
Accumulated other comprehensive income (loss)	2,591	3,833
Accumulated earnings (deficit)	(4,447,216)	(4,789,759)
Total stockholder's equity (deficit)	(3,280,182)	(3,631,312)
Total liabilities and stockholder's equity (deficit)	\$ 7,264,916	\$ 6,618,793

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

DISH DBS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)

(In thousands)
(Unaudited)

	For the Three Months Ended June 30,		For the Three Months Ended June 30,	
	2010	2009	2010	2009
Revenue:				
Subscriber-related revenue	\$ 3,140,201	\$ 2,878,115	\$ 6,175,602	\$ 5,743,054
Equipment sales and other revenue	16,505	19,135	30,334	51,480
Equipment sales - EchoStar	1,281	2,526	2,193	5,209
Services and other revenue - EchoStar	9,928	3,923	16,448	9,276
Total revenue	<u>3,167,915</u>	<u>2,903,699</u>	<u>6,224,577</u>	<u>5,809,019</u>
Costs and Expenses:				
Subscriber-related expenses (exclusive of depreciation shown below - Note 5)	1,648,221	1,532,076	3,287,429	3,082,154
Satellite and transmission expenses (exclusive of depreciation shown below - Note 5):				
EchoStar	107,107	87,198	208,585	167,955
Other	9,985	8,718	19,856	15,739
Equipment, services and other cost of sales	22,004	27,094	38,906	67,593
Subscriber acquisition costs:				
Cost of sales - subscriber promotion subsidies - EchoStar (exclusive of depreciation shown below - Note 5)	39,733	71,786	66,636	95,922
Other subscriber promotion subsidies	266,428	248,171	580,111	465,731
Subscriber acquisition advertising	99,126	68,315	170,528	118,822
Total subscriber acquisition costs	<u>405,287</u>	<u>388,272</u>	<u>817,275</u>	<u>680,475</u>
General and administrative expenses - EchoStar	11,539	12,413	22,969	23,555
General and administrative expenses	142,285	143,230	280,560	268,784
Tivo litigation expense	30,709	196,405	60,902	196,405
Depreciation and amortization (Note 5)	264,368	245,292	503,860	468,580
Total costs and expenses	<u>2,641,505</u>	<u>2,640,698</u>	<u>5,240,342</u>	<u>4,971,240</u>
Operating income (loss)	<u>526,410</u>	<u>263,001</u>	<u>984,235</u>	<u>837,779</u>
Other Income (Expense):				
Interest income	3,847	2,986	7,374	5,974
Interest expense, net of amounts capitalized	(120,918)	(96,686)	(241,856)	(183,793)
Other, net	123	(16,001)	251	(19,597)
Total other income (expense)	<u>(116,948)</u>	<u>(109,701)</u>	<u>(234,231)</u>	<u>(197,416)</u>
Income (loss) before income taxes	409,462	153,300	750,004	640,363
Income tax (provision) benefit, net	(153,932)	(67,706)	(276,249)	(251,124)
Net income (loss)	<u>\$ 255,530</u>	<u>\$ 85,594</u>	<u>\$ 473,755</u>	<u>\$ 389,239</u>
Comprehensive Income (Loss):				
Unrealized holding gains (losses) on available-for-sale securities	(1,980)	7,178	(1,242)	7,232
Comprehensive income (loss)	<u>\$ 253,550</u>	<u>\$ 92,772</u>	<u>\$ 472,513</u>	<u>\$ 396,471</u>

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

DISH DBS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Six Months Ended June 30,	
	2010	2009
Cash Flows From Operating Activities:		
Net income (loss)	\$ 473,755	\$ 389,239
<i>Adjustments to reconcile net income (loss) to net cash flows from operating activities:</i>		
Depreciation and amortization	503,860	468,580
Equity in losses (earnings) of affiliates	-	1,975
Realized and unrealized losses (gains) on investments	-	18,933
Non-cash, stock-based compensation	9,210	7,275
Deferred tax expense (benefit)	28,033	31,030
Other, net	2,851	2,871
Change in noncurrent assets	(1,192)	5,402
Change in long-term deferred revenue, distribution and carriage payments and other long-term liabilities	(34,657)	47,267
Changes in current assets and current liabilities, net	42,144	205,731
Net cash flows from operating activities	1,024,004	1,178,303
Cash Flows From Investing Activities:		
Purchases of marketable investment securities	(2,584,768)	(1,559,880)
Sales and maturities of marketable investment securities	2,622,346	881,962
Purchases of property and equipment	(747,622)	(413,775)
Change in restricted cash and marketable investment securities	(3,270)	(61,577)
Other	108	(470)
Net cash flows from investing activities	(713,206)	(1,153,740)
Cash Flows From Financing Activities:		
Repayment of long-term debt and capital lease obligations	(12,780)	(11,813)
Capital distribution to affiliate	(131,212)	-
Net cash flows from financing activities	(143,992)	(11,813)
Net increase (decrease) in cash and cash equivalents	166,806	12,750
Cash and cash equivalents, beginning of period	98,226	98,001
Cash and cash equivalents, end of period	\$ 265,032	\$ 110,751
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 237,977	\$ 177,239
Cash received for interest	\$ 7,374	\$ 5,974
Cash paid for income taxes	\$ 480	\$ 9,688
Cash paid for income taxes to DISH	\$ 241,339	\$ 194,808
Vendor financing	\$ 22,000	\$ -
Satellites and other assets financed under capital lease obligations	\$ 786	\$ 130,714

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Business Activities

Principal Business

DISH DBS Corporation (which together with its subsidiaries is referred to as “DDBS,” the “Company,” “we,” “us” and/or “our”) is a holding company and an indirect, wholly-owned subsidiary of DISH Network Corporation (“DISH”). DDBS was formed under Colorado law in January 1996 and its common stock is held by DISH Orbital Corporation, a direct subsidiary of DISH. We operate the DISH Network® direct broadcast satellite (“DBS”) subscription television service (“DISH Network”) in the United States which had 14.318 million subscribers as of June 30, 2010. We have deployed substantial resources to develop the “DISH Network DBS System.” The DISH Network DBS System consists of our licensed Federal Communications Commission (“FCC”) authorized DBS and Fixed Satellite Service (“FSS”) spectrum, our owned and leased satellites, receiver systems, third-party broadcast operations, customer service facilities, in-home service and call center operations and certain other assets utilized in our operations.

On January 1, 2008, DISH completed a distribution of its technology and set-top box business and certain infrastructure assets (the “Spin-off”) into a separate publicly-traded company, EchoStar Corporation (“EchoStar”). DISH including us, and EchoStar operate as separate publicly-traded companies, and neither entity has any ownership interest in the other. However, a substantial majority of the voting power of the shares of both companies is owned beneficially by Charles W. Ergen, our Chairman, President and Chief Executive Officer or by certain trusts established by Mr. Ergen for the benefit of his family.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these statements do not include all of the information and notes required for complete financial statements prepared under GAAP. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Our results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009 (“2009 10-K”). Certain prior period amounts have been reclassified to conform to the current period presentation.

Principles of Consolidation

We consolidate all majority owned subsidiaries, investments in entities in which we have controlling influence and variable interest entities where we have been determined to be the primary beneficiary. Non-majority owned investments are accounted for using the equity method when we have the ability to significantly influence the operating decisions of the investee. When we do not have the ability to significantly influence the operating decisions of an investee, the cost method is used. All significant intercompany accounts and transactions have been eliminated in consolidation.

DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense for each reporting period. Estimates are used in accounting for, among other things, allowances for doubtful accounts, self-insurance obligations, deferred taxes and related valuation allowances, uncertain tax positions, loss contingencies, fair value of financial instruments, fair value of options granted under our stock-based compensation plans, fair value of assets and liabilities acquired in business combinations, capital leases, asset impairments, useful lives of property, equipment and intangible assets, retailer incentives, programming expenses, subscriber lives and royalty obligations. Weakened economic conditions have increased the inherent uncertainty in the estimates and assumptions indicated above. Actual results may differ from previously estimated amounts, and such differences may be material to the Condensed Consolidated Financial Statements. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected prospectively in the period they occur.

Fair Value of Financial Instruments

The carrying value for cash and cash equivalents, marketable investment securities, trade accounts receivable, net of allowance for doubtful accounts, and current liabilities is equal to or approximates fair value due to their short-term nature. See Note 6 for the fair value of our long-term debt.

New Accounting Pronouncements***Revenue Recognition – Multiple-Deliverable Arrangements***

In October 2009, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2009-13 (“ASU 2009-13”), Revenue Recognition - Multiple-Deliverable Revenue Arrangements. ASU 2009-13 changes the requirements for establishing separate units of accounting in a multiple deliverable arrangement and requires the allocation of arrangement consideration to each deliverable to be based on the relative selling price. We are currently evaluating the impact, if any, ASU 2009-13 will have on our consolidated financial statements, when adopted, as required, on January 1, 2011.

DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

3. Marketable Investment Securities, Restricted Cash and Other Investment Securities

Our marketable investment securities, restricted cash and other investment securities consist of the following:

	As of	
	June 30, 2010	December 31, 2009
(In thousands)		
Marketable investment securities:		
Current marketable investment securities - VRDNs	\$ 1,184,028	\$ 963,913
Current marketable investment securities - other	486,284	745,218
<i>Total current marketable investment securities</i>	<u>1,670,312</u>	<u>1,709,131</u>
Restricted marketable investment securities (1)	13,663	11,042
Total marketable investment securities	<u>1,683,975</u>	<u>1,720,173</u>
Restricted cash and cash equivalents (1)	<u>118,081</u>	<u>117,432</u>
Other investment securities:		
Other investment securities - cost method	2,805	2,805
Total other investment securities	<u>2,805</u>	<u>2,805</u>
Total marketable investment securities, restricted cash and other investment securities	<u>\$ 1,804,861</u>	<u>\$ 1,840,410</u>

(1) Restricted marketable investment securities and restricted cash and cash equivalents are included in "Restricted cash and marketable investment securities" on our Condensed Consolidated Balance Sheets.

Marketable Investment Securities

Our marketable investment securities portfolio consists of various debt instruments, all of which are classified as available-for-sale.

Current Marketable Investment Securities - VRDNs

Variable rate demand notes ("VRDNs") are long-term floating rate municipal bonds with embedded put options that allow the bondholder to sell the security at par plus accrued interest. All of the put options are secured by a pledged liquidity source. Our VRDN portfolio is comprised of investments in many municipalities, which are backed by financial institutions or other highly rated companies that serve as the pledged liquidity source. While they are classified as marketable investment securities, the put option allows VRDNs to be liquidated generally on a same day or on a five business day settlement basis.

Current Marketable Investment Securities - Other

Our current marketable investment securities portfolio includes investments in various debt instruments including corporate and government bonds.

Restricted Cash and Marketable Investment Securities

As of June 30, 2010 and December 31, 2009, our restricted marketable investment securities, together with our restricted cash, included amounts required as collateral for our letters of credit or surety bonds. Restricted cash and marketable investment securities as of June 30, 2010 included \$62 million related to our litigation with Tivo.

DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

Other Investment Securities

We have a few strategic investments in certain debt and equity securities that are included in noncurrent "Other investment securities" on our Condensed Consolidated Balance Sheets accounted for using the cost, equity and/or fair value methods of accounting.

Our ability to realize value from our strategic investments in companies that are not publicly-traded depends on the success of those companies' businesses and their ability to obtain sufficient capital to execute their business plans. Because private markets are not as liquid as public markets, there is also increased risk that we will not be able to sell these investments, or that when we desire to sell them we will not be able to obtain fair value for them.

Unrealized Gains (Losses) on Marketable Investment Securities

As of June 30, 2010 and December 31, 2009, we had accumulated net unrealized gains of \$3 million and \$4 million, both net of related tax effect, respectively, as a part of "Accumulated other comprehensive income (loss)" within "Total stockholder's equity (deficit)." A full valuation allowance has been established against any deferred taxes related to assets that are capital in nature. The components of our available-for-sale investments are detailed in the table below.

	As of June 30, 2010				As of December 31, 2009			
	Marketable Investment Securities	Unrealized			Marketable Investment Securities	Unrealized		
		Gains	Losses	Net		Gains	Losses	Net
				(In thousands)				
Debt securities:								
VRDNs	\$ 1,184,028	\$ 1	\$ -	\$ 1	\$ 963,913	\$ 1	\$ (3)	\$ (2)
Other (including restricted)	499,947	4,661	(2,071)	2,590	756,260	5,336	(1,501)	3,835
Total marketable investment securities	\$ 1,683,975	\$ 4,662	\$ (2,071)	\$ 2,591	\$ 1,720,173	\$ 5,337	\$ (1,504)	\$ 3,833

As of June 30, 2010, restricted and non-restricted marketable investment securities include debt securities of \$1.652 billion with contractual maturities of one year or less and \$32 million with contractual maturities greater than one year. Actual maturities may differ from contractual maturities as a result of our ability to sell these securities prior to maturity.

DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

Marketable Investment Securities in a Loss Position

The following table reflects the length of time that the individual securities, accounted for as available-for-sale, have been in an unrealized loss position, aggregated by investment category. As of June 30, 2010 and December 31, 2009, the unrealized losses on our investments in debt securities primarily represent investments in mortgage backed securities and corporate bonds. We do not intend to sell our investments in these debt securities before they recover or mature, and it is more likely than not that we will hold these investments until that time. In addition, we are not aware of any specific factors indicating that the underlying issuers of these debt securities would not be able to pay interest as it becomes due or repay the principal at maturity. Therefore, we believe that these changes in the estimated fair values of these marketable investment securities are related to temporary market fluctuations.

Investment Category	Primary Reason for Unrealized Loss	As of June 30, 2010						
		Total Fair Value	Less than Six Months		Six to Nine Months		Nine Months or More	
			Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
(In thousands)								
Debt securities	Temporary market fluctuations	\$ 230,023	\$ 162,143	\$ (780)	\$ 25,041	\$ (70)	\$ 42,839	\$ (1,221)
Total		<u>\$ 230,023</u>	<u>\$ 162,143</u>	<u>\$ (780)</u>	<u>\$ 25,041</u>	<u>\$ (70)</u>	<u>\$ 42,839</u>	<u>\$ (1,221)</u>
As of December 31, 2009								
(In thousands)								
Debt securities	Temporary market fluctuations	\$ 190,760	\$ 144,819	\$ (277)	\$ 6,892	\$ (41)	\$ 39,049	\$ (1,186)
Total		<u>\$ 190,760</u>	<u>\$ 144,819</u>	<u>\$ (277)</u>	<u>\$ 6,892</u>	<u>\$ (41)</u>	<u>\$ 39,049</u>	<u>\$ (1,186)</u>

Fair Value Measurements

We determine fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Market or observable inputs are the preferred source of values, followed by unobservable inputs or assumptions based on hypothetical transactions in the absence of market inputs. We apply the following hierarchy in determining fair value:

- Level 1, defined as observable inputs being quoted prices in active markets for identical assets;
- Level 2, defined as observable inputs including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring assumptions based on the best information available.

Our assets measured at fair value on a recurring basis were as follows:

	Total Fair Value As of June 30, 2010				Total Fair Value As of December 31, 2009			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
(In thousands)								
Debt securities:								
VRDNs	\$ 1,184,028	\$ -	\$ 1,184,028	\$ -	\$ 963,913	\$ -	\$ 963,913	\$ -
Other (including restricted)	499,947	13,663	486,284	-	756,260	11,042	745,218	-
Total marketable investment securities	<u>\$ 1,683,975</u>	<u>\$ 13,663</u>	<u>\$ 1,670,312</u>	<u>\$ -</u>	<u>\$ 1,720,173</u>	<u>\$ 11,042</u>	<u>\$ 1,709,131</u>	<u>\$ -</u>

DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

Gains and Losses on Sales and Changes in Carrying Values of Investments

“Other, net” income and expense included on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) includes other changes in the carrying amount of our marketable and non-marketable investments as follows:

Other Income (Expense):	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Other investment securities - other-than-temporary impairments	\$ -	\$ (18,933)	\$ -	\$ (18,933)
Other	123	2,932	251	(664)
Total	\$ 123	\$ (16,001)	\$ 251	\$ (19,597)

4. Inventory

Inventory consists of the following:

	As of	
	June 30, 2010	December 31, 2009
	(In thousands)	
Finished goods - DBS	\$ 243,038	\$ 199,189
Raw materials	183,983	60,837
Work-in-process - used	33,982	34,204
Work-in-process - new	3,280	1,720
Inventory	\$ 464,283	\$ 295,950

As of June 30, 2010, our inventory balance was \$464 million, an increase of \$168 million. The increase is due to higher than normal inventory levels at June 30, 2010 as a result of anticipated activation volume. In addition, the lower than normal balance at December 31, 2009 primarily related to the impact of subscriber additions and reduced churn during the last half of 2009.

5. Property and Equipment

Depreciation and Amortization Expense

Depreciation and amortization expense consists of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Equipment leased to customers	\$ 225,348	\$ 207,382	\$ 430,746	\$ 399,950
Satellites	25,699	22,181	47,882	42,064
Furniture, fixtures, equipment and other	11,579	14,205	21,756	23,503
Identifiable intangible assets subject to amortization	522	291	1,044	581
Buildings and improvements	1,220	1,233	2,432	2,482
Total depreciation and amortization	\$ 264,368	\$ 245,292	\$ 503,860	\$ 468,580

DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
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Cost of sales and operating expense categories included in our accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) do not include depreciation expense related to satellites or equipment leased to customers.

Satellites

We currently utilize 14 satellites in geostationary orbit approximately 22,300 miles above the equator, six of which we own. Each of the owned satellites had an original estimated minimum useful life of at least 12 years. We currently lease capacity on six satellites from EchoStar with terms ranging from two to ten years. We account for these as operating leases. See Note 10 for further discussion of our satellite leases with EchoStar. We also lease two satellites from third parties, which are accounted for as capital leases and are depreciated over the shorter of the economic life or the term of the satellite agreement.

Operation of our programming service requires that we have adequate satellite transmission capacity for the programming we offer. Moreover, current competitive conditions require that we continue to expand our offering of new programming, particularly by expanding local HD coverage and offering more HD national channels. While we generally have had in-orbit satellite capacity sufficient to transmit our existing channels and some backup capacity to recover the transmission of certain critical programming, our backup capacity is limited.

In the event of a failure or loss of any of our satellites, we may need to acquire or lease additional satellite capacity or relocate one of our other satellites and use it as a replacement for the failed or lost satellite. Such a failure could result in a prolonged loss of critical programming or a significant delay in our plans to expand programming as necessary to remain competitive and thus may have a material adverse effect on our business, financial condition and results of operations.

Certain satellites in our fleet have experienced anomalies, some of which have had a significant adverse impact on their remaining life and commercial operation. There can be no assurance that future anomalies will not further impact the remaining life and commercial operation of any of these satellites. See “*Long-Lived Satellite Assets*” below for further discussion of evaluation of impairment. There can be no assurance that we can recover critical transmission capacity in the event one or more of our in-orbit satellites were to fail. We do not anticipate carrying insurance for any of the in-orbit satellites that we own, and therefore will bear the risk of any in-orbit failures. Recent developments with respect to our satellites are discussed below.

Owned Satellites

EchoStar XIV. Our EchoStar XIV satellite was launched on March 20, 2010, and commenced commercial operations at the 119 degree orbital location during May 2010. EchoStar XIV is a combination full continental United States (“CONUS”) and spot beam satellite that will allow us, among other things, to expand our HD offerings.

EchoStar XV. DISH’s EchoStar XV satellite was launched on July 10, 2010, and commenced commercial operations at the 61.5 degree orbital location during August 2010. EchoStar XV is a CONUS satellite that will allow us, among other things, to expand our HD offerings.

Leased Satellites

EchoStar III. EchoStar III was originally designed to operate a maximum of 32 DBS transponders in CONUS mode at approximately 120 watts per channel, switchable to 16 transponders operating at over 230 watts per channel, and was equipped with a total of 44 traveling wave tube amplifiers (“TWTAs”) to provide redundancy. As a result of TWTA failures in previous years and during January and May 2010, only 12 transponders are currently available for use. It is likely that additional TWTA failures will occur from time to time in the future and such failures could further impact commercial operation of the satellite.

DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

Long-Lived Satellite Assets

We evaluate our satellite fleet for impairment as one asset group and test for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. While certain of the anomalies discussed above, and previously disclosed, may be considered to represent a significant adverse change in the physical condition of an individual satellite, based on the redundancy designed within each satellite and considering the asset grouping, these anomalies are not considered to be significant events that would require evaluation for impairment recognition. Unless and until a specific satellite is abandoned or otherwise determined to have no service potential, the net carrying amount related to the satellite would not be written off.

6. Long-Term Debt

Fair Value of our Long-Term Debt

The following table summarizes the carrying and fair values of our debt facilities as of June 30, 2010 and December 31, 2009:

	As of			
	June 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
6 3/8% Senior Notes due 2011	\$ 1,000,000	\$ 1,026,500	\$ 1,000,000	\$ 1,028,750
7 % Senior Notes due 2013	500,000	518,750	500,000	515,000
6 5/8% Senior Notes due 2014	1,000,000	1,000,000	1,000,000	1,010,000
7 3/4% Senior Notes due 2015	750,000	772,500	750,000	789,375
7 1/8% Senior Notes due 2016	1,500,000	1,503,750	1,500,000	1,548,750
7 7/8% Senior Notes due 2019	1,400,000	1,468,250	1,400,000	1,473,500
Mortgages and other notes payable	62,273	62,273	42,107	42,107
Subtotal	<u>\$ 6,212,273</u>	<u>\$ 6,352,023</u>	<u>\$ 6,192,107</u>	<u>\$ 6,407,482</u>
Capital lease obligations (1)	294,297		304,457	
Total long-term debt and capital lease obligations (including current portion)	<u>\$ 6,506,570</u>		<u>\$ 6,496,564</u>	

(1) Disclosure regarding fair value of capital leases is not required.

7. Stock-Based Compensation

Stock Incentive Plans

DISH maintains stock incentive plans to attract and retain officers, directors and key employees. Our employees participate in the DISH stock incentive plans. Stock awards under these plans include both performance and non-performance based stock incentives. As of June 30, 2010, there were outstanding under these plans stock options to acquire 18.8 million shares of DISH's Class A common stock and 1.3 million restricted stock units associated with our employees. Stock options granted prior to and on June 30, 2010 were granted with exercise prices equal to or greater than the market value of DISH Class A common stock at the date of grant and with a maximum term of ten years. While historically DISH's board of directors has issued stock awards subject to vesting, typically at the rate of 20% per year, some stock awards have been granted with immediate vesting and other stock awards vest only upon the achievement of certain DISH-specific objectives. As of June 30, 2010, DISH had 76.3 million shares of its Class A common stock available for future grant under its stock incentive plans.

During December 2009, DISH paid a dividend in cash of \$2.00 per share on their outstanding Class A and Class B common stock to shareholders of record on November 20, 2009. In light of such dividend, during February 2010, the exercise price of 16.9 million stock options, affecting approximately 400 of our employees, was reduced by

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
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\$2.00 per share (the "Stock Option Adjustment"). Except as noted below, all information discussed below reflects the Stock Option Adjustment.

In connection with the Spin-off, as permitted by existing stock incentive plans and consistent with the Spin-off exchange ratio, each DISH stock option was converted into two stock options as follows:

- an adjusted DISH stock option for the same number of shares that were exercisable under the original DISH stock option, with an exercise price equal to the exercise price of the original DISH stock option multiplied by 0.831219.
- a new EchoStar stock option for one-fifth of the number of shares that were exercisable under the original DISH stock option, with an exercise price equal to the exercise price of the original DISH stock option multiplied by 0.843907.

Similarly, each holder of DISH restricted stock units retained his or her DISH restricted stock units and received one EchoStar restricted stock unit for every five DISH restricted stock units that they held.

Consequently, the fair value of the DISH stock award and the new EchoStar stock award immediately following the Spin-off was equivalent to the fair value of such stock award immediately prior to the Spin-off.

As of June 30, 2010, the following stock awards were outstanding:

Stock Awards Outstanding	As of June 30, 2010			
	DISH Awards		EchoStar Awards	
	Stock Options	Restricted Stock Units	Stock Options	Restricted Stock Units
Held by DDBS employees	18,814,801	1,334,326	1,086,364	59,767

DISH is responsible for fulfilling all stock awards related to DISH common stock and EchoStar is responsible for fulfilling all stock awards related to EchoStar common stock, regardless of whether such stock awards are held by our or EchoStar's employees. Notwithstanding the foregoing, our stock-based compensation expense, resulting from stock awards outstanding at the Spin-off date, is based on the stock awards held by our employees regardless of whether such stock awards were issued by DISH or EchoStar. Accordingly, stock-based compensation that we expense with respect to EchoStar stock awards is included in "Additional paid-in capital" on our Condensed Consolidated Balance Sheets.

Stock Award Activity

DISH stock option activity associated with our employees for the six months ended June 30, 2010 was as follows:

	For the Six Months Ended June 30, 2010	
	Options	Weighted-Average Exercise Price
Total options outstanding, beginning of period (1)	18,094,235	\$ 20.86
Granted	2,304,500	18.29
Exercised	(290,834)	9.37
Forfeited and cancelled	(1,293,100)	22.02
Total options outstanding, end of period	18,814,801	17.73
Performance-based options outstanding, end of period (2)	9,961,000	15.22
Exercisable at end of period	5,152,901	22.86

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
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- (1) The beginning of period weighted-average exercise price of \$20.86 does not reflect the Stock Option Adjustment, which occurred subsequent to December 31, 2009.
- (2) These stock options, which are included in the caption “Total options outstanding, end of period,” were issued pursuant to performance-based stock incentive plans. Vesting of these stock options is contingent upon meeting certain DISH-specific goals which are not yet probable of being achieved. See discussion of the 2005 LTIP, 2008 LTIP and other employee performance awards below.

We realized tax benefits from stock awards exercised during the three and six months ended June 30, 2010 and 2009 as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Tax benefit from stock awards exercised	\$ 1,184	\$ 15	\$ 1,271	\$ 15

Based on the closing market price of DISH Class A common stock on June 30, 2010, the aggregate intrinsic value of stock options associated with our employees was as follows:

	As of June 30, 2010	
	Options Outstanding	Options Exercisable
	(In thousands)	
Aggregate intrinsic value	\$ 62,482	\$ 4,841

DISH restricted stock unit activity associated with our employees for the six months ended June 30, 2010 was as follows:

	For the Six Months Ended June 30, 2010	
	Restricted Stock Awards	Weighted- Average Grant Date Fair Value
Total restricted stock units outstanding, beginning of period	857,719	\$ 25.04
Granted	600,000	18.15
Vested	-	-
Forfeited and cancelled	(123,393)	22.77
Total restricted stock units outstanding, end of period	1,334,326	22.13
Restricted performance units outstanding, end of period (1)	1,334,326	22.13

- (1) These restricted performance units, which are included in the caption “Total restricted stock units outstanding, end of period,” were issued pursuant to performance-based stock incentive plans. Vesting of these restricted performance units is contingent upon meeting certain DISH-specific goals which are not yet probable of being achieved. See discussion of the 2005 LTIP, 2008 LTIP and other employee performance awards below.

Long-Term Performance-Based Plans

2005 LTIP. During 2005, DISH adopted a long-term, performance-based stock incentive plan (the “2005 LTIP”). The 2005 LTIP provides stock options and restricted stock units, either alone or in combination, which vest over seven years at the rate of 10% per year during the first four years, and at the rate of 20% per year thereafter. Exercise of the stock awards is subject to a performance condition that a DISH-specific subscriber goal is achieved by March 31, 2015.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
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Contingent compensation related to the 2005 LTIP will not be recorded in our financial statements unless and until management concludes achievement of the performance condition is probable. Given the competitive nature of DISH's business, small variations in subscriber churn, gross new subscriber addition rates and certain other factors can significantly impact subscriber growth. Consequently, while it was determined that achievement of the goal was not probable as of June 30, 2010, that assessment could change at any time.

If all of the stock awards under the 2005 LTIP were vested and the goal had been met or if management had determined that achievement of the goal was probable during the six months ended June 30, 2010, we would have recorded total non-cash, stock-based compensation expense for our employees as indicated in the table below. If the goal is met and there are unvested stock awards at that time, the vested amounts would be expensed immediately on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), with the unvested portion recognized ratably over the remaining vesting period.

	2005 LTIP	
	Total	Vested Portion
	(In thousands)	
DISH awards held by DDBS employees	\$ 38,744	\$ 17,906
EchoStar awards held by DDBS employees	7,586	3,500
Total	\$ 46,330	\$ 21,406

2008 LTIP. During 2008, DISH adopted a long-term, performance-based stock incentive plan (the "2008 LTIP"). The 2008 LTIP provides stock options and restricted stock units, either alone or in combination, which vest based on DISH-specific subscriber and financial goals. Exercise of the stock awards is contingent on achieving these goals by December 31, 2015.

During 2009, DISH generated cumulative free cash flow in excess of \$1.0 billion, which resulted in approximately 10% of the 2008 LTIP stock awards vesting. We recorded non-cash, stock-based compensation expense as indicated in the table below. Additional compensation related to the 2008 LTIP will be recorded based on management's assessment of the probability of meeting the remaining performance goals. If the remaining goals are probable of being achieved and stock awards vest, we will recognize the additional non-cash, stock-based compensation expense on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) over the term of this stock incentive plan.

Other Employee Performance Awards. In addition to the above long-term, performance stock incentive plans, DISH has other stock awards that vest based on certain other DISH-specific subscriber and financial goals. Exercise of these stock awards is contingent on achieving certain performance goals within specified time frames. During the six months ended June 30, 2010, DISH determined that certain performance goals were probable of achievement and, as a result, we recorded non-cash, stock-based compensation expense as indicated in the table below.

Additional compensation related to these awards will be recorded based on management's assessment of the probability of meeting the remaining performance goals. If the remaining goals are probable of being achieved and stock awards vest, we will recognize the additional non-cash, stock-based compensation expense on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) over the term of this stock incentive plan.

Given the competitive nature of DISH's business, small variations in subscriber churn, gross new subscriber addition rates and certain other factors can significantly impact subscriber growth. Consequently, while it was determined that achievement of certain DISH-specific subscriber and financial goals was not probable as of June 30, 2010, that assessment could change at any time.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
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The non-cash stock-based compensation expense associated with these awards is as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
2008 LTIP	\$ 1,028	\$ 809	\$ 1,611	\$ 1,357
Other employee performance awards	(76)	72	232	145
Total non-cash, stock-based compensation expense recognized for performance-based awards	<u>\$ 952</u>	<u>\$ 881</u>	<u>\$ 1,843</u>	<u>\$ 1,502</u>

Estimated Remaining Non-Cash, Stock-Based Compensation Expense	2008 LTIP	Other Employee Performance Awards
	(In thousands)	
Remaining expense estimated to be recognized during 2010	\$ 1,053	\$ 316
Estimated contingent expense subsequent to 2010	28,061	42,253
Total estimated remaining expense over the term of the plan	<u>\$ 29,114</u>	<u>\$ 42,569</u>

Of the 18.8 million stock options and 1.3 million restricted stock units outstanding under the DISH stock incentive plans associated with our employees as of June 30, 2010, the following awards were outstanding pursuant to the performance-based stock incentive plans:

	As of June 30, 2010	
	Number of Awards	Weighted- Average Exercise Price
Performance-Based Stock Options		
2005 LTIP	2,451,750	\$ 23.28
2008 LTIP	5,509,250	10.48
Other employee performance awards	2,000,000	18.41
Total	<u>9,961,000</u>	<u>15.22</u>
Restricted Performance Units and Other		
2005 LTIP	298,912	
2008 LTIP	54,750	
Other employee performance awards	980,664	
Total	<u>1,334,326</u>	

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
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Stock-Based Compensation

During the six months ended June 30, 2010, we incurred \$3 million of additional non-cash, stock-based compensation cost in connection with the Stock Option Adjustment discussed previously. This amount is included in the table below. Total non-cash, stock-based compensation expense for all of our employees is shown in the following table for the three and six months ended June 30, 2010 and 2009 and was allocated to the same expense categories as the base compensation for such employees:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Subscriber-related	\$ 234	\$ 247	\$ 683	\$ 506
General and administrative	2,660	3,819	8,527	6,769
Total non-cash, stock-based compensation	\$ 2,894	\$ 4,066	\$ 9,210	\$ 7,275

As of June 30, 2010, our total unrecognized compensation cost related to the non-performance based unvested stock awards was \$24 million and includes compensation expense that we will recognize for EchoStar stock awards held by our employees as a result of the Spin-off. This cost is based on an estimated future forfeiture rate of approximately 4.1% per year and will be recognized over a weighted-average period of approximately three years. Share-based compensation expense is recognized based on stock awards ultimately expected to vest and is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Changes in the estimated forfeiture rate can have a significant effect on share-based compensation expense since the effect of adjusting the rate is recognized in the period the forfeiture estimate is changed.

Valuation

The fair value of each stock award for the three and six months ended June 30, 2010 and 2009 was estimated at the date of the grant using a Black-Scholes option valuation model with the following assumptions:

Stock Options	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Risk-free interest rate	2.07% - 2.60%	2.86% - 3.19%	2.07% - 2.89%	1.97% - 3.19%
Volatility factor	33.33% - 36.29%	31.78% - 33.59%	33.33% - 36.29%	29.72% - 33.59%
Expected term of options in years	5.7 - 7.5	6.1 - 7.0	5.7 - 7.5	6.0 - 7.3
Weighted-average fair value of options granted	\$ 6.83 - \$7.54	\$ 6.19 - \$6.53	\$ 6.83 - \$8.14	\$ 3.86 - \$6.53

In December 2009, DISH paid a \$2.00 cash dividend per share on its outstanding Class A and Class B common stock. DISH does not currently intend to pay additional dividends on its common stock and accordingly, the dividend yield percentage used in the Black-Scholes option valuation model is set at zero for all periods. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded stock options which have no vesting restrictions and are fully transferable. Consequently, our estimate of fair value may differ from other valuation models. Further, the Black-Scholes option valuation model requires the input of subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate. Therefore, we do not believe the existing models provide as reliable a single measure of the fair value of stock-based compensation awards as a market-based model would.

We will continue to evaluate the assumptions used to derive the estimated fair value of DISH's stock options as new events or changes in circumstances become known.

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8. Commitments and Contingencies

Commitments

Guarantees

In connection with the Spin-off, we distributed certain satellite lease agreements to EchoStar and remained the guarantor under those capital leases for payments totaling approximately \$312 million over the next five years.

In addition, during the third quarter 2009, EchoStar entered into a new satellite transponder service agreement for Nimiq 5 through 2024. We sublease this capacity from EchoStar and also guarantee a certain portion of its obligation under this agreement through 2019. As of June 30, 2010, the remaining obligation under this agreement was \$575 million.

As of June 30, 2010, we have not recorded a liability on the balance sheet for any of these guarantees.

Contingencies

In connection with the Spin-off, DISH entered into a separation agreement with EchoStar, which provides among other things for the division of certain liabilities, including liabilities resulting from litigation. Under the terms of the separation agreement, EchoStar has assumed certain liabilities that relate to its business including certain designated liabilities for acts or omissions prior to the Spin-off. Certain specific provisions govern intellectual property related claims under which, generally, EchoStar will only be liable for its acts or omissions following the Spin-off and DISH will indemnify EchoStar for any liabilities or damages resulting from intellectual property claims relating to the period prior to the Spin-off as well as its acts or omissions following the Spin-off.

Acacia

During 2004, Acacia Media Technologies (“Acacia”) filed a lawsuit against us and EchoStar in the United States District Court for the Northern District of California. The suit also named DirecTV, Comcast, Charter, Cox and a number of smaller cable companies as defendants. Acacia is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. The suit alleges infringement of United States Patent Nos. 5,132,992; 5,253,275; 5,550,863; 6,002,720; and 6,144,702, which relate to certain systems and methods for transmission of digital data. On September 25, 2009, the District Court granted summary judgment to the defendants on invalidity grounds, and dismissed the action with prejudice. The plaintiffs have appealed.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Broadcast Innovation, L.L.C.

During 2001, Broadcast Innovation, L.L.C. (“Broadcast Innovation”) filed a lawsuit against us, EchoStar, DirecTV, Thomson Consumer Electronics and others in United States District Court in Denver, Colorado. Broadcast Innovation is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. The suit alleges infringement of United States Patent Nos. 6,076,094 (the ‘094 patent) and 4,992,066 (the ‘066 patent). The ‘094 patent relates to certain methods and devices for transmitting and receiving data along with specific formatting information for the data. The ‘066 patent relates to certain methods and devices for providing the scrambling circuitry for a pay television system on removable cards. &# 160;Subsequently, DirecTV and Thomson settled with Broadcast Innovation leaving us as the only defendant.

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During 2004, the District Court issued an order finding the '066 patent invalid. Also in 2004, the District Court found the '094 patent invalid in a parallel case filed by Broadcast Innovation against Charter and Comcast. In 2005, the United States Court of Appeals for the Federal Circuit overturned that finding of invalidity with respect to the '094 patent and remanded the Charter case back to the District Court. During June 2006, Charter filed a reexamination request with the United States Patent and Trademark Office. The District Court has stayed the Charter case pending reexamination, and our case has been stayed pending resolution of the Charter case.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Channel Bundling Class Action

During 2007, a purported class of cable and satellite subscribers filed an antitrust action against us in the United States District Court for the Central District of California. The suit also names as defendants DirecTV, Comcast, Cablevision, Cox, Charter, Time Warner, Inc., Time Warner Cable, NBC Universal, Viacom, Fox Entertainment Group, and Walt Disney Company. The suit alleges, among other things, that the defendants engaged in a conspiracy to provide customers with access only to bundled channel offerings as opposed to giving customers the ability to purchase channels on an "a la carte" basis. On October 16, 2009, the District Court granted defendants' motion to dismiss with prejudice. The plaintiffs have appealed. We intend to vigorously defend this case.□ 0; We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

ESPN

During 2008, we filed a lawsuit against ESPN, Inc., ESPN Classic, Inc., ABC Cable Networks Group, Soapnet L.L.C., and International Family Entertainment (collectively, "ESPN") for breach of contract in New York State Supreme Court. Our complaint alleges that ESPN failed to provide us with certain high-definition feeds of the Disney Channel, ESPN News, Toon, and ABC Family. ESPN asserted a counterclaim, and then filed a motion for summary judgment, alleging that we owed approximately \$35 million under the applicable affiliation agreements. We brought a motion to amend our complaint to assert that ESPN was in breach of certain most-favored-nation provisions under the applicable affiliation agreements. On April 15, 2009, the trial court granted our motion to amend the complaint, and granted, in part, ESPN's motion on the counterclaim, finding that we are liable for some of the amount alleged to be owing but that the actual amount owing is disputed. We appealed the partial grant of ESPN's motion to the New York trial court. After the partial grant of ESPN's motion, ESPN sought an additional \$30 million under the applicable affiliation agreements. On March 15, 2010, the trial court affirmed the prior grant of ESPN's motion and ruled that we owe the full amount of approximately \$65 million under the applicable affiliation agreement. Although the court ruled we owe approximately \$65 million, there can be no assurance that ESPN will not seek, and that the court will not award, an amount that exceeds this amount. We have appealed the court's ruling. We intend to vigorously prosecute and defend this case. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Finisar Corporation

Finisar Corporation ("Finisar") obtained a \$100 million verdict in the United States District Court for the Eastern District of Texas against DirecTV for patent infringement. Finisar, an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein, alleged that DirecTV's electronic program guide and other elements of its system infringe United States Patent No. 5,404,505 (the '505 patent).

During 2006, we and EchoStar, together with NagraStar LLC, filed a Complaint for Declaratory Judgment in the United States District Court for the District of Delaware against Finisar that asks the Court to declare that we do not infringe, and have not infringed, any valid claim of the '505 patent. Finisar brought counterclaims against us,

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EchoStar and NagraStar alleging that we infringed the '505 patent. During April 2008, the Federal Circuit reversed the judgment against DirecTV and ordered a new trial. On remand, the District Court granted summary judgment in favor of DirecTV and during January 2010, the Federal Circuit affirmed the District Court's grant of summary judgment, and dismissed the action with prejudice. Finisar then agreed to dismiss its counterclaims against us, EchoStar and NagraStar without prejudice. We also agreed to dismiss our Declaratory Judgment action without prejudice.

Katz Communications

During 2007, Ronald A. Katz Technology Licensing, L.P. ("Katz") filed a patent infringement action against us in the United States District Court for the Northern District of California. The suit alleges infringement of 19 patents owned by Katz. The patents relate to interactive voice response, or IVR, technology.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

NorthPoint Technology

On July 2, 2009, NorthPoint Technology, Ltd. filed suit against us, EchoStar, and DirecTV in the United States District Court for the Western District of Texas alleging infringement of United States Patent No. 6,208,636 (the '636 patent). The '636 patent relates to the use of multiple low-noise block converter feedhorns, or LNBFs, which are antennas used for satellite reception.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Personalized Media Communications

During 2008, Personalized Media Communications, Inc. ("PMC") filed suit against us, EchoStar and Motorola, Inc. in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent Nos. 4,694,490; 5,109,414; 4,965,825; 5,233,654; 5,335,277; and 5,887,243, which relate to satellite signal processing. PMC is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Retailer Class Actions

During 2000, lawsuits were filed by retailers in Colorado state and federal courts attempting to certify nationwide classes on behalf of certain of our retailers. The plaintiffs are requesting the Courts declare certain provisions of, and changes to, alleged agreements between us and the retailers invalid and unenforceable, and to award damages for lost incentives and payments, charge backs and other compensation. We have asserted a variety of counterclaims. The federal court action has been stayed during the pendency of the state court action. We filed a motion for summary judgment on all counts and against all plaintiffs. The plaintiffs filed a motion for additional time to conduct discovery to enable them to respond to our motion. The state court granted limited discovery which

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ended during 2004. The plaintiffs claimed we did not provide adequate disclosure during the discovery process. The state court agreed, and denied our motion for summary judgment as a result. In April 2008, the state court granted plaintiff's class certification motion and in January 2009, the state court entered an order excluding certain evidence that we can present at trial based on the prior discovery issues. The state court also denied plaintiffs' request to dismiss our counterclaims. In May 2009, plaintiffs filed a motion for default judgment based on new allegations of discovery misconduct. In April 2010, the court denied plaintiffs' motion for default judgment, but upheld its prior order excluding certain evidence. Trial is scheduled to commence on October 12, 2010. Before trial, the court will hold a hearing to establish the scope of its prior evidentiary order, including the scope of an adverse inference jury instruction. We intend to vigorously defend this case. We cannot predict with any degree of certainty the outcome of the lawsuit or determine the extent of any potential liability or damages.

Technology Development Licensing

On January 22, 2009, Technology Development and Licensing LLC ("TDL") filed suit against us and EchoStar in the United States District Court for the Northern District of Illinois alleging infringement of United States Patent No. 35,952, which relates to certain favorite channel features. TDL is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. In July 2009, the Court granted our motion to stay the case pending two re-examination petitions before the Patent and Trademark Office.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Tivo Inc.

During January 2008, the United States Court of Appeals for the Federal Circuit affirmed in part and reversed in part the April 2006 jury verdict concluding that certain of our digital video recorders, or DVRs, infringed a patent held by Tivo. As of September 2008, we had recorded a total reserve of \$132 million on our Condensed Consolidated Balance Sheets to reflect the April 2006 jury verdict, supplemental damages through September 2006 and pre-judgment interest awarded by the Texas court, together with the estimated cost of potential further software infringement prior to implementation of our alternative technology, discussed below, plus interest subsequent to entry of the judgment. In its January 2008 decision, the Federal Circuit affirmed the jury's verdict of infringement on Tivo's "software claims," and upheld the award of damages from the District Court. The Federal Circuit, however, found that we did not literally infringe Tivo's "hardware claims," and remanded such claims back to the District Court for further proceedings. On October 6, 2008, the Supreme Court denied our petition for certiorari. As a result, approximately \$105 million of the total \$132 million reserve was released from an escrow account to Tivo.

We also developed and deployed "next-generation" DVR software. This improved software was automatically downloaded to our current customers' DVRs, and is fully operational (our "original alternative technology"). The download was completed as of April 2007. We received written legal opinions from outside counsel that concluded our original alternative technology does not infringe, literally or under the doctrine of equivalents, either the hardware or software claims of Tivo's patent. Tivo filed a motion for contempt alleging that we are in violation of the Court's injunction. We opposed this motion on the grounds that the injunction did not apply to DVRs that have received our original alternative technology, that our original alternative technology does not infringe Tivo's patent, and that we were in compliance with the injunction.

In June 2009, the United States District Court granted Tivo's motion for contempt, finding that our original alternative technology was not more than colorably different than the products found by the jury to infringe Tivo's patent, that our original alternative technology still infringed the software claims, and that even if our original alternative technology was "non-infringing," the original injunction by its terms required that we disable DVR functionality in all but approximately 192,000 digital set-top boxes in the field. The District Court also amended its original injunction to require that we inform the court of any further attempts to design around Tivo's patent and

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seek approval from the court before any such design-around is implemented. The District Court awarded Tivo \$103 million in supplemental damages and interest for the period from September 2006 through April 2008, based on an assumed \$1.25 per subscriber per month royalty rate. We posted a bond to secure that award pending appeal of the contempt order. On July 1, 2009, the Federal Circuit Court of Appeals granted a permanent stay of the District Court's contempt order pending resolution of our appeal.

The District Court held a hearing on July 28, 2009 on Tivo's claims for contempt sanctions. Tivo sought up to \$975 million in contempt sanctions for the period from April 2008 to June 2009 based on, among other things, profits Tivo alleges we made from subscribers using DVRs. We opposed Tivo's request arguing, among other things, that sanctions are inappropriate because we made good faith efforts to comply with the Court's injunction. We also challenged Tivo's calculation of profits. On September 4, 2009, the District Court partially granted Tivo's motion for contempt sanctions and awarded \$2.25 per DVR subscriber per month for the period from April 2008 to July 2009 (as compared to the award for supplemental damages for the prior period from September 2006 to April 2008, which was based on an assumed \$1.25 per DVR subscriber per month). By the District Court's estimation, the total award for the period from April 2008 to July 2009 is approximately \$200 million. The District Court also awarded Tivo its attorneys' fees and costs incurred during the contempt proceedings. Enforcement of these awards has been stayed by the District Court pending resolution of our appeal of the underlying June 2009 contempt order. On February 8, 2010, we and Tivo submitted a stipulation to the District Court that the attorneys' fees and costs, including expert witness fees and costs, that Tivo incurred during the contempt proceedings amounted to \$6 million. During the year ended December 31, 2009 and the six months ended June 30, 2010, we increased our total reserve by \$361 million and \$61 million, respectively, to reflect the supplemental damages and interest for the period from implementation of our original alternative technology through April 2008 and for the estimated cost of alleged software infringement (including contempt sanctions for the period from April 2008 through June 2009) for the period from April 2008 through June 2010 plus interest. Our total reserve at June 30, 2010 was \$454 million and is included in "Tivo litigation accrual" on our Condensed Consolidated Balance Sheets.

In light of the District Court's finding of contempt, and its description of the manner in which it believes our original alternative technology infringed the '389 patent, we are also developing and testing potential new alternative technology in an engineering environment. As part of EchoStar's development process, EchoStar downloaded several of our design-around options to less than 1,000 subscribers for "beta" testing. On March 11, 2010, we requested that the District Court approve the implementation of one of our design-around options on an expedited basis. There can be no assurance that the District Court will approve this request.

Oral argument on our appeal of the contempt ruling took place on November 2, 2009, before a three-judge panel of the Federal Circuit Court of Appeals. On March 4, 2010, the Federal Circuit affirmed the District Court's contempt order in a 2-1 decision. On May 14, 2010, our petition for en banc review of that decision by the full Federal Circuit was granted and the opinion of the three-judge panel was vacated. Oral argument is scheduled for November 9, 2010. There can be no assurance that the full Federal Circuit will reverse the decision of the three-judge panel. Tivo has stated that it will seek additional damages for the period from June 2009 to the present. Although we have accrued our best estimate of damages, contempt sanctions and interest through June 30, 2010, there can be no assurance that Tivo will not seek, and that the court will not award, an amount that exceeds our accrual.

On June 4, 2010, the Patent and Trademark Office (the "PTO") issued a final office action rejecting the software claims of United States Patent No. 6,233,389 (the '389 patent) as being invalid in light of two prior patents. These are the same software claims that we were found to have infringed and which underlie the contempt ruling that we are now appealing. We believe that the PTO's conclusions are relevant to the issues on appeal. The PTO's conclusions support our position that our original alternative technology is more than colorably different than the devices found to infringe by the jury; that our original alternative technology does not infringe; and that we acted in good faith to design around Tivo's patent.

If we are unsuccessful in overturning the District Court's ruling on Tivo's motion for contempt, we are not successful in developing and deploying potential new alternative technology and we are unable to reach a license agreement with Tivo on reasonable terms, we may be required to eliminate DVR functionality in all but approximately 192,000 digital set-top boxes in the field and cease distribution of digital set-top boxes with DVR

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functionality. In that event we would be at a significant disadvantage to our competitors who could continue offering DVR functionality, which would likely result in a significant decrease in new subscriber additions as well as a substantial loss of current subscribers. Furthermore, the inability to offer DVR functionality could cause certain of our distribution channels to terminate or significantly decrease their marketing of DISH Network services. The adverse effect on our financial position and results of operations if the District Court's contempt order is upheld is likely to be significant. Additionally, the supplemental damage award of \$103 million and further award of approximately \$200 million does not include damages, contempt sanctions or interest for the period after June 2009. In the event that we are unsuccessful in our appeal, we could also have to pay substantial additional damages, contempt sanctions and interest. Depending on the amount of any additional damage or sanction award or any monetary settlement, we may be required to raise additional capital at a time and in circumstances in which we would normally not raise capital. Therefore, any capital we raise may be on terms that are unfavorable to us, which might adversely affect our financial position and results of operations and might also impair our ability to raise capital on acceptable terms in the future to fund our own operations and initiatives. We believe the cost of such capital and its terms and conditions may be substantially less attractive than our previous financings.

If we are successful in overturning the District Court's ruling on Tivo's motion for contempt, but unsuccessful in defending against any subsequent claim in a new action that our original alternative technology or any potential new alternative technology infringes Tivo's patent, we could be prohibited from distributing DVRs or could be required to modify or eliminate our then-current DVR functionality in some or all set-top boxes in the field. In that event we would be at a significant disadvantage to our competitors who could continue offering DVR functionality and the adverse effect on our business would be material. We could also have to pay substantial additional damages.

Because both we and EchoStar are defendants in the Tivo lawsuit, we and EchoStar are jointly and severally liable to Tivo for any final damages and sanctions that may be awarded by the District Court. DISH has determined that it is obligated under the agreements entered into in connection with the Spin-off to indemnify EchoStar for substantially all liability arising from this lawsuit. EchoStar contributed an amount equal to its \$5 million intellectual property liability limit under the Receiver Agreement. DISH and EchoStar have further agreed that EchoStar's \$5 million contribution would not exhaust EchoStar's liability to DISH for other intellectual property claims that may arise under the Receiver Agreement. DISH and EchoStar also agreed that they would each be entitled to joint ownership of, and a cross-license to use, any intellectual property developed in connection with any potential new alternative technology.

Voom

On May 28, 2008, Voom HD Holdings ("Voom") filed a complaint against us in New York Supreme Court. The suit alleges breach of contract arising from our termination of the affiliation agreement we had with Voom for the carriage of certain Voom HD channels on the DISH Network satellite television service. In January 2008, Voom sought a preliminary injunction to prevent us from terminating the agreement. The Court denied Voom's motion, finding, among other things, that Voom was not likely to prevail on the merits of its case. Voom is claiming over \$2.5 billion in damages. We intend to vigorously defend this case. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

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Other

In addition to the above actions, we are subject to various other legal proceedings and claims which arise in the ordinary course of business, including among other things, disputes with programmers regarding fees. In our opinion, the amount of ultimate liability with respect to any of these actions is unlikely to materially affect our financial position, results of operations or liquidity.

9. Financial Information for Subsidiary Guarantors

DDBS's senior notes are fully, unconditionally and jointly and severally guaranteed by all of our subsidiaries other than minor subsidiaries and the stand alone entity DDBS has no independent assets or operations. Therefore, supplemental financial information on a condensed consolidating basis of the guarantor subsidiaries is not required. There are no restrictions on our ability to obtain cash dividends or other distributions of funds from the guarantor subsidiaries, except those imposed by applicable law.

10. Related Party Transactions***Related Party Transactions with DISH***

During the second quarter 2010, we purchased EchoStar XIV from DISH Orbital II L.L.C. ("DOLLC II"), an indirect wholly-owned subsidiary of DISH, and our affiliate, for its fair value of approximately \$448 million. We assumed \$22 million in vendor financing and the difference, or \$426 million, was paid to our affiliate. We recorded the satellite at DOLLC II's carrying value of \$317 million and recorded the difference, or \$131 million, as a capital distribution to our parent company, DISH Orbital Corporation.

Related Party Transactions with EchoStar

Following the Spin-off, EchoStar has operated as a separate public company and we have no continued ownership interest in EchoStar. However, a substantial majority of the voting power of the shares of both companies is owned beneficially by our Chairman, President and Chief Executive Officer, Charles W. Ergen or by certain trusts established by Mr. Ergen for the benefit of his family.

EchoStar is our primary supplier of set-top boxes and digital broadcast operations and our key supplier of transponder capacity. Generally, the prices charged for products and services provided under the agreements entered into in connection with the Spin-off are based on pricing equal to EchoStar's cost plus a fixed margin (unless noted differently below), which will vary depending on the nature of the products and services provided.

In connection with the Spin-off and subsequent to the Spin-off, we and EchoStar have entered into certain agreements pursuant to which we obtain certain products, services and rights from EchoStar, EchoStar obtains certain products, services and rights from us, and we and EchoStar have indemnified each other against certain liabilities arising from our respective businesses. We also may enter into additional agreements with EchoStar in the future. The following is a summary of the terms of the principal agreements that we have entered into with EchoStar that may have an impact on our financial position and results of operations.

"Equipment sales - EchoStar"

Remanufactured Receiver Agreement. In connection with the Spin-off, we entered into a remanufactured receiver agreement with EchoStar pursuant to which EchoStar had the right, but not the obligation, to purchase remanufactured receivers and accessories from us at cost plus a fixed margin, which varies depending on the nature of the equipment purchased for a two-year period ending on January 1, 2010. In August 2009, we and EchoStar extended this agreement to January 1, 2011. EchoStar may terminate the remanufactured receiver agreement for any reason upon sixty days written notice to us. We may also terminate this agreement if certain entities acquire us.

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“Services and other revenue - EchoStar”

Transition Services Agreement. In connection with the Spin-off, DISH entered into a transition services agreement with EchoStar pursuant to which EchoStar had the right, but not the obligation, to receive the following services from DISH: finance, information technology, benefits administration, travel and event coordination, human resources, human resources development (training), program management, internal audit, legal, accounting and tax, and other support services. The fees for the services provided under the transition services agreement were calculated at cost plus a fixed margin, which varied depending on the nature of the services provided. The transition services agreement expired on January 1, 2010. However, DISH and EchoStar have agreed that following January 1, 2010 EchoStar shall continue to have the right, but not the obligation, to receive from DISH certain of the services previously provided under the transition services agreement pursuant to the Professional Services Agreement, as discussed below.

Professional Services Agreement. During December 2009, DISH and EchoStar agreed that following January 1, 2010 EchoStar shall continue to have the right, but not the obligation, to receive from DISH the following services, among others, certain of which were previously provided under the transition services agreement: information technology, travel and event coordination, internal audit, legal, accounting and tax, benefits administration, program acquisition services and other support services. Additionally, following January 1, 2010, DISH shall continue to have the right, but not the obligation, to engage EchoStar to manage the process of procuring new satellite capacity for them (as discussed below previously provided under the satellite procurement agreement) and receive logistics, procurement and quality assurance services from EchoStar (as discussed below, previously provided under the services agreement). The professional services agreement has a term of one year ending on January 1, 2011, but renews automatically for successive one-year periods thereafter, unless terminated earlier by either party at the end of the then current term, upon at least 60 days' prior notice. However, either party may terminate the services it receives with respect to a particular service for any reason upon 30 days notice.

Management Services Agreement. In connection with the Spin-off, DISH entered into a management services agreement with EchoStar pursuant to which DISH makes certain of its officers available to provide services (which are primarily legal and accounting services) to EchoStar. Specifically, R. Stanton Dodge and Paul W. Orban remain employed by DISH, but also serve as EchoStar's Executive Vice President and General Counsel, and Senior Vice President and Controller, respectively. EchoStar makes payments to DISH based upon an allocable portion of the personnel costs and expenses incurred by DISH with respect to such officers (taking into account wages and fringe benefits). These allocations are based upon the estimated percentages of time to be spent by DISH's executive officers performing services for EchoStar under the management services agreement. EchoStar also reimburses DISH for direct out-of-pocket costs incurred by DISH for management services provided to EchoStar. DISH and EchoStar evaluate all charges for reasonableness at least annually and make any adjustments to these charges as DISH and EchoStar mutually agree upon.

The management services agreement automatically renewed on January 1, 2010 for an additional one-year period until January 1, 2011 and renews automatically for successive one-year periods thereafter, unless terminated earlier (i) by EchoStar at any time upon at least 30 days' prior written notice; (ii) by DISH at the end of any renewal term, upon at least 180 days' prior notice; or (iii) by DISH upon written notice to EchoStar, following certain changes in control.

Satellite Capacity Leased to EchoStar. In December 2009, we entered into a satellite capacity agreement pursuant to which EchoStar leases certain satellite capacity from us on EchoStar I. The fee for the services provided under this satellite capacity agreement depends, among other things, upon the orbital location of the satellite.

The lease generally terminates upon the earlier of: (i) the end of life or replacement of the satellite (unless EchoStar determines to renew on a year-to-year basis); (ii) the date the satellite fails; (iii) the date the transponder on which service is being provided fails; or (iv) a certain date, which depends, among other things, upon the estimated useful life of the satellite, whether the replacement satellite fails at launch or in orbit prior to being placed into service, and the exercise of certain renewal options. EchoStar generally has the option to renew this lease on a year-to-year basis

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through the end of the satellite's life. There can be no assurance that any options to renew this agreement will be exercised.

Real Estate Lease Agreement. During 2008, DISH entered into a sublease for space at 185 Varick Street, New York, New York to EchoStar for a period of approximately seven years. The rent on a per square foot basis for this sublease was comparable to per square foot rental rates of similar commercial property in the same geographic area at the time of the sublease, and EchoStar is responsible for its portion of the taxes, insurance, utilities and maintenance of the premises.

Packout Services Agreement. In connection with the Spin-off, we entered into a packout services agreement with EchoStar, whereby EchoStar had the right, but not the obligation, to engage us to package and ship satellite receivers to customers that are not associated with us. This agreement expired on January 1, 2010.

“Satellite and transmission expenses – EchoStar”

Broadcast Agreement. In connection with the Spin-off, we entered into a broadcast agreement pursuant to which EchoStar provides certain broadcast services to us, including teleport services such as transmission and downlinking, channel origination services, and channel management services. During July 2010, we exercised our right to extend the broadcast agreement until January 1, 2012. We may terminate channel origination services and channel management services for any reason and without any liability upon sixty days written notice to EchoStar. If we terminate teleport services for a reason other than EchoStar's breach, we are obligated to pay EchoStar the aggregate amount of the remainder of the expected cost of providing the teleport services. The fees for services provided under the broadcast agreement are calculated at cost plus a fixed margin, which varies depending on the nature of the products and services provided.

Broadcast Agreement for Certain Sports Related Programming. During May 2010, we entered into a broadcast agreement pursuant to which EchoStar provides certain broadcast services to us in connection with our carriage of certain sports related programming. The term of this agreement is for ten years. If we terminate this agreement for a reason other than EchoStar's breach, we are generally obligated to reimburse EchoStar for any direct costs EchoStar incurs related to any such termination that it cannot reasonably mitigate. The fees for the broadcast services provided under this agreement depend, among other things, upon the cost to develop and provide such services.

Satellite Capacity Leased from EchoStar. In connection with the Spin-off and subsequent to the Spin-off, we entered into certain satellite capacity agreements pursuant to which we lease certain satellite capacity on certain satellites owned or leased by EchoStar. The fees for the services provided under these satellite capacity agreements depend, among other things, upon the orbital location of the applicable satellite. The term of each of the leases is set forth below:

EchoStar III, VI, VIII, and XII. We lease certain satellite capacity from EchoStar on EchoStar III, VI, VIII, and XII. The leases generally terminate upon the earlier of: (i) the end of life or replacement of the satellite (unless we determine to renew on a year-to-year basis); (ii) the date the satellite fails; (iii) the date the transponder on which service is being provided fails; or (iv) a certain date, which depends upon, among other things, the estimated useful life of the satellite, whether the replacement satellite fails at launch or in orbit prior to being placed into service, and the exercise of certain renewal options. We generally have the option to renew each lease on a year-to-year basis through the end of the respective satellite's life. There can be no assurance that any options to renew such agreements will be exercised.

EchoStar XVI. We will lease certain satellite capacity from EchoStar on EchoStar XVI after its service commencement date and this lease generally terminates upon the earlier of: (i) the end of life or replacement of the satellite; (ii) the date the satellite fails; (iii) the date the transponder(s) on which service is being provided under the agreement fails; or (iv) ten years following the actual service commencement date. Upon expiration of the initial term, we have the option to renew on a year-to-year basis through the end of life of the satellite. There can be no assurance that any options to renew this agreement will be exercised. EchoStar XVI is expected to be completed during 2012.

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EchoStar XV. EchoStar XV is owned by DISH and is operated at the 61.5 degree orbital location. The FCC has granted EchoStar an authorization to operate the satellite at the 61.5 degree orbital location. For so long as EchoStar XV remains in service at the 61.5 degree orbital location, we are obligated to pay EchoStar a fee which varies depending on the number of frequencies being used by EchoStar XV from time to time.

Nimiq 5 Agreement. During September 2009, EchoStar entered into a fifteen-year satellite service agreement with Telesat Canada (“Telesat”) to receive service on all 32 DBS transponders on the Nimiq 5 satellite at the 72.7 degree orbital location (the “Telesat Transponder Agreement”). During September 2009, EchoStar also entered into a satellite service agreement (the “DISH Telesat Agreement”) with us, pursuant to which we will receive service from EchoStar on all 32 of the DBS transponders covered by the Telesat Transponder Agreement. We and EchoStar are currently receiving service on 21 of these DBS transponders and will receive service on the remaining 11 DBS transponders over a phase-in period that will be completed in 2012. We have also guaranteed certain obligations of EchoStar under the Telesat Transponder Agreement. See discussions under “Guarantees” in Note 8.

Under the terms of the DISH Telesat Agreement, we make certain monthly payments to EchoStar that commenced in October 2009 when the Nimiq 5 satellite was placed into service and continue through the service term. Unless earlier terminated under the terms and conditions of the DISH Telesat Agreement, the service term will expire ten years following the date it was placed into service. Upon expiration of the initial term we have the option to renew the DISH Telesat Agreement on a year-to-year basis through the end of life of the Nimiq 5 satellite. Upon in-orbit failure or end of life of the Nimiq 5 satellite, and in certain other circumstances, we have certain rights to receive service from EchoStar on a replacement satellite. There can be no assurance that any options to renew this agreement will be exercised or that we will exercise our option to receive service on a replacement satellite.

QuetzSat-1 Lease Agreement. During 2008, EchoStar entered into a ten-year satellite service agreement with SES Latin America S.A (“SES”), which provides, among other things, for the provision by SES to EchoStar of service on 32 DBS transponders on the QuetzSat-1 satellite expected to be placed into service at the 77 degree orbital location in 2011. During 2008, EchoStar also entered into a transponder service agreement (“QuetzSat-1 Transponder Agreement”) with us pursuant to which we will receive service from EchoStar on 24 of the DBS transponders.

Under the terms of the QuetzSat-1 Transponder Agreement, we will make certain monthly payments to EchoStar commencing when the QuetzSat-1 satellite is placed into service and continuing through the service term. Unless earlier terminated under the terms and conditions of the QuetzSat-1 Transponder Agreement, the service term will expire ten years following the actual service commencement date. Upon expiration of the initial term, we have the option to renew the QuetzSat-1 Transponder Agreement on a year-to-year basis through the end of life of the QuetzSat-1 satellite. Upon a launch failure, in-orbit failure or end of life of the QuetzSat-1 satellite, and in certain other circumstances, we have certain rights to receive service from EchoStar on a replacement satellite. There can be no assurance that any options to renew this agreement will be exercised or that we will exercise our option to receive service on a replacement satellite. QuetzSat-1 is expected to be completed during 2011.

TT&C Agreement. In connection with the Spin-off, we entered into a telemetry, tracking and control (“TT&C”) agreement pursuant to which we receive TT&C services from EchoStar for a period ending on January 1, 2011. DISH has the right, but not the obligation, to extend the agreement for up to one additional year. The fees for services provided under the TT&C agreement are calculated at cost plus a fixed margin. We may terminate the TT&C agreement for any reason upon sixty days prior written notice.

Satellite Procurement Agreement. In connection with the Spin-off, we entered into a satellite procurement agreement pursuant to which we had the right, but not the obligation, to engage EchoStar to manage the process of procuring new satellite capacity for DISH. The satellite procurement agreement expired on January 1, 2010. However, we and EchoStar agreed that following January 1, 2010, we shall continue to have the right, but not the obligation, to engage EchoStar to manage the process of procuring new satellite capacity for DISH pursuant to the Professional Services Agreement as discussed above.

DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

“Cost of sales – subscriber promotion subsidies – EchoStar”

Receiver Agreement. EchoStar is currently our sole supplier of set-top box receivers. The table below indicates the dollar value of set-top boxes and other equipment that we purchased from EchoStar as well as the amount of purchases that are included in “Cost of sales – subscriber promotion subsidies – EchoStar” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The remaining amount is included in “Inventory” and “Property and equipment, net” on our Condensed Consolidated Balance Sheets.

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Set-top boxes and other equipment purchased from EchoStar	\$ 382,839	\$ 204,284	\$ 768,687	\$ 524,603
Set-top boxes and other equipment purchased from EchoStar included in “Cost of sales – subscriber promotion subsidies – EchoStar”	\$ 39,733	\$ 71,786	\$ 66,636	\$ 95,922

In connection with the Spin-off, we entered into a receiver agreement pursuant to which we have the right but not the obligation to purchase digital set-top boxes and related accessories, and other equipment from EchoStar. During July 2010, we exercised our right to extend the receiver agreement until January 1, 2012. The receiver agreement allows us to purchase digital set-top boxes, related accessories and other equipment from EchoStar at cost plus a fixed margin, which varies depending on the nature of the equipment purchased. Additionally, EchoStar provides us with standard manufacturer warranties for the goods sold under the receiver agreement. We may terminate the receiver agreement for any reason upon sixty days written notice to EchoStar. EchoStar may terminate the receiver agreement if certain entities were to acquire us. The receiver agreement also includes an indemnification provision, whereby the parties indemnify each other for certain intellectual property matters.

“General and administrative expenses – EchoStar”

Product Support Agreement. In connection with the Spin-off, we entered into a product support agreement pursuant to which we have the right, but not the obligation, to receive product support from EchoStar (including certain engineering and technical support services) for all digital set-top boxes and related accessories that EchoStar has previously sold and in the future may sell to us. The fees for services provided under the product support agreement are calculated at cost plus a fixed margin, which varies depending on the nature of the services provided. The term of the product support agreement is the economic life of such receivers and related accessories, unless terminated earlier. We may terminate the product support agreement for any reason upon sixty days prior written notice. In the event of an early termination of this agreement, we are entitled to a refund of any unearned fees paid to EchoStar for the services.

Real Estate Lease Agreements. We have entered into certain lease agreements pursuant to which we lease certain real estate from EchoStar. The rent on a per square foot basis for each of the leases is comparable to per square foot rental rates of similar commercial property in the same geographic area, and EchoStar is responsible for its portion of the taxes, insurance, utilities and maintenance of the premises. The term of each of the leases is set forth below:

Inverness Lease Agreement. The lease for certain space at 90 Inverness Circle East in Englewood, Colorado expires on January 1, 2011.

Meridian Lease Agreement. During August 2010, we exercised our right to extend this lease for all of 9601 S. Meridian Blvd. in Englewood, Colorado until January 1, 2012. We have the right to extend the Meridian Lease Agreement for one additional year.

DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

Santa Fe Lease Agreement. During August 2010, we exercised our right to extend this lease for all of 5701 S. Santa Fe Dr. in Littleton, Colorado until January 1, 2012. We have the right to extend the Santa Fe Lease Agreement for one additional year.

Gilbert Lease Agreement. The lease for certain space at 801 N. DISH Dr. in Gilbert, Arizona expired on January 1, 2010.

EDN Sublease Agreement. The sublease for certain space at 211 Perimeter Center in Atlanta, Georgia, is for a period of three years, ending on April 30, 2011.

Services Agreement. In connection with the Spin-off, DISH entered into a services agreement pursuant to which it had the right, but not the obligation, to receive logistics, procurement and quality assurance services from EchoStar. This agreement expired on January 1, 2010. However, DISH and EchoStar have agreed that following January 1, 2010, DISH shall continue to have the right, but not the obligation, to receive from EchoStar certain of the services previously provided under the services agreement pursuant to the Professional Services Agreement as discussed above.

DISHOnline.com Services Agreement. Effective January 1, 2010, we entered into a two-year agreement with EchoStar pursuant to which we will receive certain services associated with an online video portal. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. We have the option to renew this agreement for three successive one year terms and the agreement may be terminated for any reason upon 120 days written notice to EchoStar.

DISH Remote Access Services Agreement. Effective January 1, 2010, we entered into an agreement with EchoStar pursuant to which we will receive, among other things, certain remote DVR management services. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. This agreement has a term of five years with automatic renewal for successive one year terms and may be terminated for any reason upon 120 days written notice to EchoStar.

SlingService Services Agreement. Effective February 23, 2010, we entered into an agreement with EchoStar pursuant to which we will receive certain place-shifting services. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. This agreement has a term of five years with automatic renewal for successive one year terms and may be terminated for any reason upon 120 days written notice to EchoStar.

Weather Related Programming Agreement. During May 2010, we entered into an agreement pursuant to which, among other things, EchoStar agreed to develop certain weather related programming and we received the right to distribute such programming. The fees for the content provided under this agreement depend, among other things, upon the cost to develop and provide such content. This agreement was terminated during June 2010.

Other Agreements – EchoStar

Tax Sharing Agreement. In connection with the Spin-off, DISH entered into a tax sharing agreement with EchoStar which governs our respective rights, responsibilities and obligations after the Spin-off with respect to taxes for the periods ending on or before the Spin-off. Generally, all pre-Spin-off taxes, including any taxes that are incurred as a result of restructuring activities undertaken to implement the Spin-off, are borne by DISH, and DISH will indemnify EchoStar for such taxes. However, DISH is not liable for and will not indemnify EchoStar for any taxes that are incurred as a result of the Spin-off or certain related transactions failing to qualify as tax-free distributions pursuant to any provision of Section 355 or Section 361 of the Code because of (i) a direct or indirect acquisition of any of EchoStar's stock, stock options or assets, (ii) any action that EchoStar takes or fails to take or (iii) any action that EchoStar takes that is inconsistent with the information and representations furnished to the IRS in connection with the request for the private letter ruling, or to counsel in connection with any opinion being delivered by counsel with respect to the Spin-off or certain related transactions. In such case, EchoStar is solely liable for, and will indemnify DISH for, any resulting taxes, as well as any losses, claims and expenses. The tax sharing agreement will only

DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

terminate after the later of the full period of all applicable statutes of limitations including extensions or once all rights and obligations are fully effectuated or performed.

Tivo. Because both we and EchoStar are defendants in the Tivo lawsuit, we and EchoStar are jointly and severally liable to Tivo for any final damages and sanctions that may be awarded by the District Court. DISH has determined that it is obligated under the agreements entered into in connection with the Spin-off to indemnify EchoStar for substantially all liability arising from this lawsuit. EchoStar contributed an amount equal to its \$5 million intellectual property liability limit under the Receiver Agreement. DISH and EchoStar have further agreed that EchoStar's \$5 million contribution would not exhaust EchoStar's liability to DISH for other intellectual property claims that may arise under the Receiver Agreement. DISH and EchoStar also agreed that they would each be entitled to joint ownership of, and a cross-license to use, any intellectual property developed in connection with any potential new alternative technology.

Multimedia Patent Trust. In December 2009, DISH determined that it is obligated under the agreements entered into in connection with the Spin-off to indemnify EchoStar for all of the costs to settle this lawsuit relating to the period prior to the Spin-off and a portion of such settlement costs relating to the period after the Spin-off. EchoStar has agreed that its contribution towards such settlement costs shall not be applied against EchoStar's aggregate liability cap under the Receiver Agreement.

International Programming Rights Agreement. During the six months ended June 30, 2010, we purchased approximately \$2 million of certain international rights for sporting events from EchoStar, included in "Subscriber-related expenses" on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), of which EchoStar only retained a certain portion. There were no additional purchases during the other periods presented.

Other Agreements

In November 2009, Mr. Roger Lynch became employed by both DISH and EchoStar as Executive Vice President. Mr. Lynch is responsible for the development and implementation of advanced technologies that are of potential utility and importance to both DISH and EchoStar. Mr. Lynch's compensation consists of cash and equity compensation and is borne by both EchoStar and DISH.

Related Party Transactions with NagraStar L.L.C.

Prior to the Spin-off, DISH owned 50% of NagraStar L.L.C. ("NagraStar"), which was contributed to EchoStar in connection with the Spin-off. NagraStar is a joint venture that is our provider of encryption and related security systems intended to assure that only paying customers have access to our programming. During the three and six months ended June 30, 2010, we incurred security access and other fees at an aggregate cost to us of \$20 million and \$40 million, respectively. During the three and six months ended June 30, 2009, we purchased security access devices at an aggregate cost of \$1 million and \$25 million, respectively, from NagraStar. As of June 30, 2010 and December 31, 2009, amounts payable to NagraStar totaled \$13 million and \$17 million, respectively.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

You should read the following narrative analysis of our results of operations together with the condensed consolidated financial statements and notes to the financial statements included elsewhere in this quarterly report. This management's narrative analysis is intended to help provide an understanding of our financial condition, changes in financial condition and results of our operations and contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in our Annual Report on Form 10-K for the year ended December 31, 2009 and this Quarterly Report on Form 10-Q under the caption "Item 1A. Risk Factors."

EXECUTIVE SUMMARY**Overview**

DISH Network® direct broadcast satellite ("DBS") subscription television service ("DISH Network") lost approximately 19,000 net subscribers during the three months ended June 30, 2010, compared to an increase of 26,000 net subscribers for the same period in 2009. The change versus the prior year was driven by an increase in subscriber churn.

Subscriber growth changed substantially from the prior three quarters, in which we averaged net additions of approximately 242,000 per quarter. The primary driver of this change was increased competitive pressures, which negatively impacted both our gross activations and churn in the second quarter 2010.

DISH Network added approximately 218,000 net subscribers for the six months ended June 30, 2010, compared to a loss of approximately 68,000 net subscribers for the same period in 2009. The change versus the prior period was driven by increased gross new subscriber additions and decreased churn primarily during the first quarter 2010. The increased gross new subscriber additions were primarily a result of our sales and marketing promotions during the period. Churn was positively impacted by the completion of our security access device replacement program during 2009 and an increase in our new subscriber commitment period. Historically, we have experienced slightly higher churn in the months following the expiration of commitments for new subscribers. In February 2008, we extended our new subscriber commitment from 18 to 24 months. During the first quarter 2010, due to this change, we had fewer expiring commitments.

When the size of our subscriber base increases, even if our subscriber churn rate remains constant, increasing numbers of gross new DISH Network subscribers are required to sustain net subscriber growth.

The current overall economic environment has negatively impacted many industries including ours. In addition, the overall growth rate in the pay-TV industry has slowed in recent years. Within this maturing industry, competition has intensified with the rapid growth of fiber-based pay-TV services offered by telecommunications companies. Furthermore, programming offered over the Internet has become more prevalent as the speed and quality of broadband networks have improved. Significant changes in consumer behavior with regard to the means by which they obtain video entertainment and information in response to this emerging digital media competition could materially adversely affect our business, results of operations and financial condition or otherwise disrupt our business.

While economic factors have impacted the entire pay-TV industry, our relative performance has been mostly driven by issues specific to DISH Network. In recent years, DISH Network's position as the low cost provider in the pay-TV industry has been eroded by increasingly aggressive promotional pricing used by our competitors to attract new subscribers and similarly aggressive promotions and tactics used to retain existing subscribers. Some competitors have been especially aggressive and effective in marketing their service. Furthermore, in the past, our subscriber growth has been adversely affected by signal theft and other forms of fraud and by operational inefficiencies at DISH Network. We have not always met our own standards for performing high-quality installations, effectively resolving subscriber issues when they arise, answering subscriber calls in an acceptable timeframe, effectively communicating with our subscriber base, reducing calls driven by the complexity of our business, improving the reliability of certain systems and subscriber equipment, and aligning the interests of certain third party retailers and installers to provide high-quality service.

We have been investing more in advanced technology equipment as part of our subscriber acquisition and retention efforts. Recent initiatives to transmit certain programming only in MPEG-4 and to activate most new subscribers only with MPEG-4 receivers have accelerated our deployment of MPEG-4 receivers. To meet current demand, we have increased the rate at which we upgrade existing subscribers to HD and DVR receivers. While these efforts may increase our subscriber acquisition and retention costs, we believe that they will help reduce subscriber churn and costs over the long run.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS – Continued

We have also been changing equipment to migrate certain subscribers to make more efficient use of transponder capacity in support of HD and other initiatives. We expect to continue these initiatives through 2010. We believe that the benefit from the increase in available transponder capacity outweighs the short-term cost of these equipment changes.

To combat signal theft and improve the security of our broadcast system, during 2009, we completed the replacement of our security access devices to re-secure our system. We expect additional future replacements of these devices to be necessary to keep our system secure. To combat other forms of fraud, we have taken a wide range of actions including terminating retailers that we believe were in violation of DISH Network's business rules. While these initiatives may inconvenience our subscribers and disrupt our distribution channels in the short-term, we believe that the long-term benefits will outweigh the costs.

To address our operational inefficiencies, we have streamlined our hardware offerings and continue to make significant investments in staffing, training, information systems, and other initiatives, primarily in our call center and in-home service operations. These investments are intended to help combat inefficiencies introduced by the increasing complexity of our business, improve customer satisfaction, reduce churn, increase productivity, and allow us to scale better over the long run. We cannot, however, be certain that our increased spending will ultimately be successful in yielding such returns. In the meantime, we may continue to incur higher costs as a result of both our operational inefficiencies and increased spending. The adoption of these measures has contributed to higher expenses and lower margins. While we believe that the increased costs will be outweighed by longer-term benefits, there can be no assurance when or if we will realize these benefits at all.

Programming costs continue to represent an increasing percentage of our "Subscriber-related expenses." As a result, our margins may face further downward pressure from price increases and the renewal of long-term programming contracts on less favorable pricing terms.

To maintain and enhance our competitiveness over the long term, we plan to promote a suite of integrated products designed to maximize the convenience and ease of watching TV anytime and anywhere, which we refer to as, "TV Everywhere." TV Everywhere utilizes, among other things, Slingbox "placeshifting" technology.

Liquidity Drivers

Like many companies, we make general investments in property such as satellites, information technology and facilities that support our overall business. As a subscriber-based company, however, we also make subscriber-specific investments to acquire new subscribers and retain existing subscribers. While the general investments may be deferred without impacting the business in the short-term, the subscriber-specific investments are less discretionary. Our overall objective is to generate sufficient cash flow over the life of each subscriber to provide an adequate return against the upfront investment. Once the upfront investment has been made for each subscriber, the subsequent cash flow is generally positive.

There are a number of factors that impact our future cash flow compared to the cash flow we generate at a given point in time. The first factor is how successful we are at retaining our current subscribers. As we lose subscribers from our existing base, the positive cash flow from that base is correspondingly reduced. The second factor is how successful we are at maintaining our subscriber-related margins. To the extent our "Subscriber-related expenses" grow faster than our "Subscriber-related revenue," the amount of cash flow that is generated per existing subscriber is reduced. The third factor is the rate at which we acquire new subscribers. The faster we acquire new subscribers, the more our positive ongoing cash flow from existing subscribers is offset by the negative upfront cash flow associated with new subscribers. Finally, our future cash flow is impacted by the rate at which we make general investments and any cash flow from financing activities.

Our subscriber-specific investments to acquire new subscribers have a significant impact on our cash flow. While fewer subscribers might translate into lower ongoing cash flow in the long-term, cash flow is actually aided in the short-term by the reduction in subscriber-specific investment spending. As a result, a slow down in our business due to external or internal factors does not introduce the same level of short-term liquidity risk as it might in other industries.

Availability of Credit and Effect on Liquidity

While the ability to raise capital has generally existed for us despite the weak economic conditions, the cost of such capital has not been as attractive as in prior periods. Because of the cash flow of our company and the absence of any material debt payments until October 2011, the higher cost of capital will not impact our current operational plans. However, we might be less likely to pursue initiatives which could increase DISH's shareholder value over the long run, such as making strategic investments, or prepaying debt. Alternatively, if we decided to pursue such initiatives, the cost of doing so would be greater. Currently, we have no existing lines of credit, nor have we historically.

Future Liquidity

Our "Subscriber-related expenses" as a percentage of "Subscriber-related revenue" was 52.5% during the second quarter 2010 compared to 53.2% during the same period in 2009. ARPU was positively impacted by a price increase in February 2010, partially offset by promotional discounts on programming offered to new subscribers. "Subscriber-related expenses" continued to be negatively impacted by increased programming costs and initiatives to improve customer service. We continue to focus on addressing operational inefficiencies specific to DISH Network which we believe will contribute to long-term subscriber growth.

If we are unsuccessful in overturning the District Court's ruling on Tivo's motion for contempt, we are not successful in developing and deploying potential new alternative technology and we are unable to reach a license agreement with Tivo on reasonable terms, we may be required to eliminate DVR functionality in all but approximately 192,000 digital set-top boxes in the field and cease distribution of digital set-top boxes with DVR functionality. In that event we would be at a significant disadvantage to our competitors who could continue offering DVR functionality, which would likely result in a significant decrease in new subscriber additions as well as a substantial loss of current subscribers. Furthermore, the inability to offer DVR functionality could cause certain of our distribution channels to terminate or significantly decrease their marketing of DISH Network services. The adverse effect on our financial position and results of operations if the District Court's contempt order is upheld is likely to be significant. Additionally, the supplemental damage award of \$103 million and further award of approximately \$200 million does not include damages, contempt sanctions or interest for the period after June 2009. In the event that we are unsuccessful in our appeal, we could also have to pay substantial additional damages, contempt sanctions and interest. Depending on the amount of any additional damage or sanction award or any monetary settlement, we may be required to raise additional capital at a time and in circumstances in which we would normally not raise capital. Therefore, any capital we raise may be on terms that are unfavorable to us, which might adversely affect our financial position and results of operations and might also impair our ability to raise capital on acceptable terms in the future to fund our own operations and initiatives. We believe the cost of such capital and its terms and conditions may be substantially less attractive than our previous financings.

If we are successful in overturning the District Court's ruling on Tivo's motion for contempt, but unsuccessful in defending against any subsequent claim in a new action that our original alternative technology or any potential new alternative technology infringes Tivo's patent, we could be prohibited from distributing DVRs or could be required to modify or eliminate our then-current DVR functionality in some or all set-top boxes in the field. In that event we would be at a significant disadvantage to our competitors who could continue offering DVR functionality and the adverse effect on our business would be material. We could also have to pay substantial additional damages.

Item 2. MANAGEMENT’S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS – Continued

Because both we and EchoStar are defendants in the Tivo lawsuit, we and EchoStar are jointly and severally liable to Tivo for any final damages and sanctions that may be awarded by the District Court. DISH has determined that it is obligated under the agreements entered into in connection with the Spin-off to indemnify EchoStar for substantially all liability arising from this lawsuit. EchoStar contributed an amount equal to its \$5 million intellectual property liability limit under the Receiver Agreement. DISH and EchoStar have further agreed that EchoStar’s \$5 million contribution would not exhaust EchoStar’s liability to DISH for other intellectual property claims that may arise under the Receiver Agreement. DISH and EchoStar also agreed that they would each be entitled to joint ownership of, and a cross-license to use, any intellectual property developed in connection with any potential new alternative technology.

The Spin-off. On January 1, 2008, we completed the distribution of our technology and set-top box business and certain infrastructure assets (the “Spin-off”) into a separate publicly-traded company, EchoStar Corporation (“EchoStar”). DISH Network and EchoStar operate as separate publicly-traded companies, and neither entity has any ownership interest in the other. However, a substantial majority of the voting power of the shares of both companies is owned beneficially by Charles W. Ergen, our Chairman, President and Chief Executive Officer or by certain trusts established by Mr. Ergen for the benefit of his family.

EXPLANATION OF KEY METRICS AND OTHER ITEMS

Subscriber-related revenue. “Subscriber-related revenue” consists principally of revenue from basic, premium movie, local, pay-per-view, Latino and international subscription television services, equipment rental fees and other hardware related fees, including fees for DVRs and additional outlet fees from subscribers with multiple receivers, advertising services, fees earned from our in-home service operations, equipment upgrade fees, HD programming and other subscriber revenue. Certain of the amounts included in “Subscriber-related revenue” are not recurring on a monthly basis.

Equipment sales and other revenue. “Equipment sales and other revenue” principally includes the non-subsidized sales of DBS accessories to retailers and other third-party distributors of our equipment domestically and to DISH Network subscribers.

Equipment sales, services and other revenue – EchoStar. “Equipment sales, services and other revenue – EchoStar” includes revenue related to equipment sales, transitional and professional services, and other agreements with EchoStar.

Subscriber-related expenses. “Subscriber-related expenses” principally include programming expenses, costs incurred in connection with our in-home service and call center operations, billing costs, refurbishment and repair costs related to receiver systems, subscriber retention and other variable subscriber expenses.

Satellite and transmission expenses – EchoStar. “Satellite and transmission expenses – EchoStar” includes the cost of digital broadcast operations provided to us by EchoStar, including satellite uplinking/downlinking, signal processing, conditional access management, telemetry, tracking and control and other professional services. In addition, this category includes the cost of leasing satellite and transponder capacity on satellites from EchoStar.

Satellite and transmission expenses – other. “Satellite and transmission expenses – other” includes executory costs associated with capital leases and costs associated with transponder leases and other related services.

Equipment, services and other cost of sales. “Equipment, services and other cost of sales” principally includes the cost of non-subsidized sales of DBS accessories to retailers and other third-party distributors of our equipment domestically and to DISH Network subscribers. In addition, this category includes costs related to equipment sales, transitional and professional services, and other agreements with EchoStar.

Subscriber acquisition costs. In addition to leasing receivers, we generally subsidize installation and all or a portion of the cost of our receiver systems to attract new DISH Network subscribers. Our “Subscriber acquisition costs” include the cost of our receiver systems sold to retailers and other third-party distributors of our equipment, the cost of receiver systems sold directly by us to subscribers, including net costs related to our promotional incentives costs

Item 2. MANAGEMENT’S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS – Continued

related to our direct sales efforts, and costs related to installation and acquisition advertising. We exclude the value of equipment capitalized under our lease program for new subscribers from “Subscriber acquisition costs.”

SAC. Subscriber acquisition cost measures are commonly used by those evaluating companies in the pay-TV industry. We are not aware of any uniform standards for calculating the “average subscriber acquisition costs per new subscriber activation,” or SAC, and we believe presentations of SAC may not be calculated consistently by different companies in the same or similar businesses. Our SAC is calculated as “Subscriber acquisition costs,” plus the value of equipment capitalized under our lease program for new subscribers, divided by gross new subscriber additions. We include all the costs of acquiring subscribers (e.g., subsidized and capitalized equipment) as our management believes it is a more comprehensive measure of how much we are spending to acquire subscribers. We also include all new DISH Network subscribers in our calculation, including DISH Network subscribers added with little or no subscriber acquisition costs.

General and administrative expenses. “General and administrative expenses” consists primarily of employee-related costs associated with administrative services such as legal, information systems, accounting and finance, including non-cash, stock-based compensation expense. It also includes outside professional fees (e.g., legal, information systems and accounting services) and other items associated with facilities and administration.

Interest expense, net of amounts capitalized. “Interest expense, net of amounts capitalized” primarily includes interest expense, prepayment premiums and amortization of debt issuance costs associated with our senior debt (net of capitalized interest) and interest expense associated with our capital lease obligations.

Other, net. The main components of “Other, net” are equity in earnings and losses of our affiliates, gains and losses realized on the sale of investments, and impairment of marketable and non-marketable investment securities.

Earnings before interest, taxes, depreciation and amortization (“EBITDA”). EBITDA is defined as “Net income (loss)” plus “Interest expense, net of amounts capitalized” net of “Interest income,” “Taxes” and “Depreciation and amortization.” This “non-GAAP measure” is reconciled to “Net income (loss)” in our discussion of “Results of Operations” below.

DISH Network subscribers. We include customers obtained through direct sales, third-party retailers and other third-party distribution relationships in our DISH Network subscriber count. We also provide DISH Network service to hotels, motels and other commercial accounts. For certain of these commercial accounts, we divide our total revenue for these commercial accounts by an amount approximately equal to the retail price of our America’s Top 120 programming package (but taking into account, periodically, price changes and other factors), and include the resulting number, which is substantially smaller than the actual number of commercial units served, in our DISH Network subscriber count.

Average monthly revenue per subscriber (“ARPU”). We are not aware of any uniform standards for calculating ARPU and believe presentations of ARPU may not be calculated consistently by other companies in the same or similar businesses. We calculate average monthly revenue per subscriber, or ARPU, by dividing average monthly “Subscriber-related revenue” for the period (total “Subscriber-related revenue” during the period divided by the number of months in the period) by our average DISH Network subscribers for the period. Average DISH Network subscribers are calculated for the period by adding the average DISH Network subscribers for each month and dividing by the number of months in the period. Average DISH Network subscribers for each month are calculated by adding the beginning and ending DISH Network subscribers for the month and dividing by two.

Average monthly subscriber churn rate. We are not aware of any uniform standards for calculating subscriber churn rate and believe presentations of subscriber churn rates may not be calculated consistently by different companies in the same or similar businesses. We calculate subscriber churn rate for any period by dividing the number of DISH Network subscribers who terminated service during the period by the average DISH Network subscribers for the same period, and further dividing by the number of months in the period. When calculating subscriber churn, the same methodology for calculating average DISH Network subscribers is used as when calculating ARPU.

RESULTS OF OPERATIONS
Three Months Ended June 30, 2010 Compared to the Three Months Ended June 30, 2009.

Statements of Operations Data	For the Three Months Ended June 30,		Variance	
	2010	2009	Amount	%
	(In thousands)			
Revenue:				
Subscriber-related revenue	\$ 3,140,201	\$ 2,878,115	\$ 262,086	9.1
Equipment sales and other revenue	16,505	19,135	(2,630)	(13.7)
Equipment sales, services and other revenue - EchoStar	11,209	6,449	4,760	73.8
Total revenue	3,167,915	2,903,699	264,216	9.1
Costs and Expenses:				
Subscriber-related expenses	1,648,221	1,532,076	116,145	7.6
% of Subscriber-related revenue	52.5%	53.2%		
Satellite and transmission expenses - EchoStar	107,107	87,198	19,909	22.8
% of Subscriber-related revenue	3.4%	3.0%		
Satellite and transmission expenses - Other	9,985	8,718	1,267	14.5
% of Subscriber-related revenue	0.3%	0.3%		
Equipment, services and other cost of sales	22,004	27,094	(5,090)	(18.8)
Subscriber acquisition costs	405,287	388,272	17,015	4.4
General and administrative expenses	153,824	155,643	(1,819)	(1.2)
% of Total revenue	4.9%	5.4%		
Tivo litigation expense	30,709	196,405	(165,696)	(84.4)
Depreciation and amortization	264,368	245,292	19,076	7.8
Total costs and expenses	2,641,505	2,640,698	807	0.0
Operating income (loss)	526,410	263,001	263,409	NM
Other Income (Expense):				
Interest income	3,847	2,986	861	28.8
Interest expense, net of amounts capitalized	(120,918)	(96,686)	(24,232)	(25.1)
Other, net	123	(16,001)	16,124	NM
Total other income (expense)	(116,948)	(109,701)	(7,247)	(6.6)
Income (loss) before income taxes	409,462	153,300	256,162	NM
Income tax (provision) benefit, net	(153,932)	(67,706)	(86,226)	NM
Effective tax rate	37.6%	44.2%		
Net income (loss)	\$ 255,530	\$ 85,594	\$ 169,936	NM
Other Data:				
DISH Network subscribers, as of period end (in millions)	14.318	13.610	0.708	5.2
DISH Network subscriber additions, gross (in millions)	0.747	0.731	0.016	2.2
DISH Network subscriber additions, net (in millions)	(0.019)	0.026	(0.045)	NM
Average monthly subscriber churn rate	1.78%	1.73%	0.05%	2.9
Average monthly revenue per subscriber ("ARPU")	\$ 73.05	\$ 70.73	\$ 2.32	3.3
Average subscriber acquisition cost per subscriber ("SAC")	\$ 743	\$ 708	\$ 35	4.9
EBITDA	\$ 790,901	\$ 492,292	\$ 298,609	60.7

Overview. Revenue totaled \$3.168 billion for the three months ended June 30, 2010, an increase of \$264 million or 9.1% compared to the same period in 2009. “Net income (loss)” totaled \$256 million, an increase of \$170 million.

DISH Network lost approximately 19,000 net subscribers during the three months ended June 30, 2010, compared to an increase of 26,000 net subscribers for the same period in 2009. The change versus the prior year was driven by an increase in subscriber churn.

Subscriber growth changed substantially from the prior three quarters, in which we averaged net additions of approximately 242,000 per quarter. The primary driver of this change was increased competitive pressures, which negatively impacted both our gross activations and churn in the second quarter 2010.

When the size of our subscriber base increases, even if our subscriber churn rate remains constant, increasing numbers of gross new DISH Network subscribers are required to sustain net subscriber growth.

DISH Network subscribers. As of June 30, 2010, we had approximately 14.318 million DISH Network subscribers compared to approximately 13.610 million subscribers at June 30, 2009, an increase of 5.2%. DISH Network added approximately 747,000 gross new subscriber additions for the three months ended June 30, 2010 compared to approximately 731,000 gross new subscriber additions during the same period in 2009, an increase of 2.2%.

DISH Network lost approximately 19,000 net subscribers during the three months ended June 30, 2010 compared to an increase of approximately 26,000 net subscribers during the same period in 2009. Our average monthly subscriber churn rate for the three months ended June 30, 2010 was 1.78%, compared to 1.73% for the same period in 2009. We believe this decrease in net new subscribers and the increase in churn primarily resulted from the factors discussed in the “Overview” above. Churn increased during the quarter as a result of the increasingly competitive nature of our industry and the current economic conditions. We may not be able to reduce churn without increasing our spending on customer retention incentives, which would have a negative effect on our results of operations and free cash flow. Our distribution agreements with CenturyTel and Embarq (which are now both known as CenturyLink) expired on July 31, 2010. These agreements have historically represented less than 5% of our gross new subscriber additions over the past several years.

We have not always met our own standards for performing high-quality installations, effectively resolving subscriber issues when they arise, answering subscriber calls in an acceptable timeframe, effectively communicating with our subscriber base, reducing calls driven by the complexity of our business, improving the reliability of certain systems and subscriber equipment, and aligning the interests of certain third party retailers and installers to provide high-quality service. Most of these factors have affected both gross new subscriber additions as well as existing subscriber churn. Our future gross new subscriber additions and subscriber churn may be negatively impacted by these factors, which could in turn adversely affect our revenue growth.

Subscriber-related revenue. DISH Network “Subscriber-related revenue” totaled \$3.140 billion for the three months ended June 30, 2010, an increase of \$262 million or 9.1% compared to the same period in 2009. This change was primarily related to a larger subscriber base during the second quarter 2010 compared to the same period in 2009 and the increase in “ARPU” discussed below.

ARPU. “Average monthly revenue per subscriber” was \$73.05 during the three months ended June 30, 2010 versus \$70.73 during the same period in 2009. The \$2.32 or 3.3% increase in ARPU was primarily attributable to price increases in February 2010 and changes in the sales mix toward more advanced hardware offerings. ARPU continues to increase as a result of higher hardware related fees, which include rental fees, fees for DVRs, upgrade fees and fees earned from our in-home service operations. These increases were partially offset by increases in the amount of promotional discounts on programming offered to new subscribers.

Subscriber-related expenses. “Subscriber-related expenses” totaled \$1.648 billion during the three months ended June 30, 2010, an increase of \$116 million or 7.6% compared to the same period 2009. The increase in “Subscriber-related expenses” was primarily attributable to higher programming costs. The increase in programming costs was driven by rate increases in certain of our programming contracts, including the renewal of certain contracts at higher rates, and an

increase in subscribers. We continue to address our operational inefficiencies by streamlining our hardware offerings and making significant investments in staffing, training, information systems, and other initiatives, primarily in our call centers and in-home service operations. "Subscriber-related expenses" represented 52.5% and 53.2% of "Subscriber-related revenue" during the three months ended June 30, 2010 and 2009, respectively. The improvement in this expense to revenue ratio primarily resulted from an increase in "Subscriber-related revenue," partially offset by higher programming costs, discussed above.

In the normal course of business, we enter into contracts to purchase programming content in which our payment obligations are fully contingent on the number of subscribers to whom we provide the respective content. Our programming expenses will continue to increase to the extent we are successful in growing our subscriber base. In addition, our "Subscriber-related expenses" may face further upward pressure from price increases and the renewal of long-term programming contracts on less favorable pricing terms.

Satellite and transmission expenses – EchoStar. "Satellite and transmission expenses – EchoStar" totaled \$107 million during the three months ended June 30, 2010, an increase of \$20 million or 22.8% compared to the same period in 2009. The increase in "Satellite and transmission expenses – EchoStar" is related to an increase in transponder capacity leased from EchoStar primarily related to the Nimiq 5 satellite, which was placed into service in October 2009, and the increase in monthly lease rates per transponder on certain satellites based on the terms of our amended lease agreements. See Note 10 in the Notes to the Condensed Consolidated Financial Statements for further discussion. & #160;"Satellite and transmission expenses – EchoStar" as a percentage of "Subscriber-related revenue" increased to 3.4% in 2010 from 3.0% in 2009 primarily as a result of the increase in expenses discussed above.

Subscriber acquisition costs. "Subscriber acquisition costs" totaled \$405 million for the three months ended June 30, 2010, an increase of \$17 million or 4.4% compared to the same period in 2009. This increase was primarily attributable to higher SAC discussed below and the increase in gross new subscriber additions discussed previously.

SAC. SAC was \$743 during the three months ended June 30, 2010 compared to \$708 during the same period in 2009, an increase of \$35 or 4.9%. This increase was driven primarily by increased advertising expenditures.

During the three months ended June 30, 2010 and 2009, the amount of equipment capitalized under our lease program for new subscribers totaled \$149 million and \$130 million, respectively. This increase in capital expenditures under our lease program for new subscribers resulted primarily from the increase in hardware cost per activation due to a decrease in the redeployment of remanufactured receivers and the increase in gross new subscriber additions.

Capital expenditures resulting from our equipment lease program for new subscribers were partially mitigated by the redeployment of equipment returned by disconnecting lease program subscribers. However, to remain competitive we upgrade or replace subscriber equipment periodically as technology changes, and the costs associated with these upgrades may be substantial. To the extent technological changes render a portion of our existing equipment obsolete, we would be unable to redeploy all returned equipment and consequently would realize less benefit from the SAC reduction associated with redeployment of that returned lease equipment.

Our SAC calculation does not reflect any benefit from payments we received in connection with equipment not returned to us from disconnecting lease subscribers and returned equipment that is made available for sale or used in our existing customer lease program rather than being redeployed through our new lease program. During the three months ended June 30, 2010 and 2009, these amounts totaled \$16 million and \$25 million, respectively.

Several years ago, we began deploying receivers that utilize 8PSK modulation technology and receivers that utilize MPEG-4 compression technology. These technologies, when fully deployed, will allow more programming channels to be carried over our existing satellites. A majority of our customers today, however, do not have receivers that use MPEG-4 compression and a smaller but still significant percentage do not have receivers that use 8PSK modulation. We may choose to invest significant capital to accelerate the conversion of customers to MPEG-4 and/or 8PSK to realize the bandwidth benefits sooner. In addition, given that all of our HD content is broadcast in MPEG-4, any growth in HD penetration will naturally accelerate our transition to these newer technologies and may increase our subscriber acquisition and retention costs. All new receivers that we purchase from EchoStar now have MPEG-4 technology. Although we continue to refurbish and redeploy MPEG-2 receivers, as a result of our HD

Item 2. MANAGEMENT’S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS – Continued

initiatives and current promotions, we currently activate most new customers with higher priced MPEG-4 technology. This limits our ability to redeploy MPEG-2 receivers and, to the extent that our promotions are successful, will accelerate the transition to MPEG-4 technology, resulting in an adverse effect on our SAC.

Our “Subscriber acquisition costs” and “SAC” may materially increase in the future to the extent that we transition to newer technologies, introduce more aggressive promotions, or provide greater equipment subsidies.

Tivo litigation expense. We recorded \$31 million of additional “Tivo litigation expense” during the three months ended June 30, 2010 for supplemental damages and interest, a \$166 million or 84.4% decrease compared to the same period in 2009. See Note 8 in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Depreciation and amortization. “Depreciation and amortization” expense totaled \$264 million during the three months ended June 30, 2010, a \$19 million or 7.8% increase compared to the same period in 2009. This change in “Depreciation and amortization” expense was primarily due to an increase in depreciation of equipment leased to subscribers and other depreciable assets placed into service to support the DISH Network service. We expect “Depreciation and amortization” expense to increase in 2010 as a result of EchoStar XIV and EchoStar XV being placed into service.

Interest expense, net of amounts capitalized. “Interest expense, net of amounts capitalized” totaled \$121 million during the three months ended June 30, 2010, an increase of \$24 million or 25.1% compared to the same period in 2009. This change primarily resulted from an increase in interest expense related to the issuance of debt during the second half of 2009.

Other, net. “Other, net” income totaled less than \$1 million during the three months ended June 30, 2010 compared to expense of \$16 million during the same period in 2009. This increase primarily resulted from lower impairment charges on other investment securities in 2010 compared to 2009.

Earnings before interest, taxes, depreciation and amortization. EBITDA was \$791 million during the three months ended June 30, 2010, an increase of \$299 million or 60.7% compared to the same period in 2009. EBITDA for the three months ended June 30, 2010 was positively impacted by the decrease of \$166 million in “Tivo litigation expense.” The following table reconciles EBITDA to the accompanying financial statements.

	For the Three Months Ended June 30,	
	2010	2009
	(In thousands)	
EBITDA	\$ 790,901	\$ 492,292
Interest expense, net	(117,071)	(93,700)
Income tax (provision) benefit, net	(153,932)	(67,706)
Depreciation and amortization	(264,368)	(245,292)
Net income (loss)	<u>\$ 255,530</u>	<u>\$ 85,594</u>

EBITDA is not a measure determined in accordance with accounting principles generally accepted in the United States, or GAAP, and should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. EBITDA is used as a measurement of operating efficiency and overall financial performance and we believe it to be a helpful measure for those evaluating companies in the pay-TV industry. Conceptually, EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Income tax (provision) benefit, net. Our income tax provision was \$154 million during the three months ended June 30, 2010, an increase of \$86 million compared to the same period in 2009. The increase in the provision was primarily related to the increase in “Income (loss) before income taxes,” partially offset by a decline in our effective tax rate. Our effective tax rate during the three months ended June 30, 2009 was negatively impacted by the establishment of valuation allowances related to certain deferred tax assets which are capital in nature.

Net income (loss). “Net income (loss)” was \$256 million during the three months ended June 30, 2010, an increase of \$170 million compared to \$86 million for the same period in 2009. The increase was primarily attributable to the changes in revenue and expenses discussed above.

RESULTS OF OPERATIONS
Six Months Ended June 30, 2010 Compared to the Six Months Ended June 30, 2009.

Statements of Operations Data	For the Six Months Ended June 30,		Variance	
	2010	2009	Amount	%
	(In thousands)			
Revenue:				
Subscriber-related revenue	\$ 6,175,602	\$ 5,743,054	\$ 432,548	7.5
Equipment sales and other revenue	30,334	51,480	(21,146)	(41.1)
Equipment sales, services and other revenue - EchoStar	18,641	14,485	4,156	28.7
Total revenue	6,224,577	5,809,019	415,558	7.2
Costs and Expenses:				
Subscriber-related expenses	3,287,429	3,082,154	205,275	6.7
% of Subscriber-related revenue	53.2%	53.7%		
Satellite and transmission expenses - EchoStar	208,585	167,955	40,630	24.2
% of Subscriber-related revenue	3.4%	2.9%		
Satellite and transmission expenses - Other	19,856	15,739	4,117	26.2
% of Subscriber-related revenue	0.3%	0.3%		
Equipment, services and other cost of sales	38,906	67,593	(28,687)	(42.4)
Subscriber acquisition costs	817,275	680,475	136,800	20.1
General and administrative expenses	303,529	292,339	11,190	3.8
% of Total revenue	4.9%	5.0%		
Tivo litigation expense	60,902	196,405	(135,503)	(69.0)
Depreciation and amortization	503,860	468,580	35,280	7.5
Total costs and expenses	5,240,342	4,971,240	269,102	5.4
Operating income (loss)	984,235	837,779	146,456	17.5
Other Income (Expense):				
Interest income	7,374	5,974	1,400	23.4
Interest expense, net of amounts capitalized	(241,856)	(183,793)	(58,063)	(31.6)
Other, net	251	(19,597)	19,848	NM
Total other income (expense)	(234,231)	(197,416)	(36,815)	(18.6)
Income (loss) before income taxes	750,004	640,363	109,641	17.1
Income tax (provision) benefit, net	(276,249)	(251,124)	(25,125)	(10.0)
Effective tax rate	36.8%	39.2%		
Net income (loss)	\$ 473,755	\$ 389,239	\$ 84,516	21.7
Other Data:				
DISH Network subscribers, as of period end (in millions)	14.318	13.610	0.708	5.2
DISH Network subscriber additions, gross (in millions)	1.580	1.384	0.196	14.2
DISH Network subscriber additions, net (in millions)	0.218	(0.068)	0.286	NM
Average monthly subscriber churn rate	1.59%	1.78%	(0.19%)	(10.7)
Average monthly revenue per subscriber ("ARPU")	\$ 72.11	\$ 70.38	\$ 1.73	2.5
Average subscriber acquisition cost per subscriber ("SAC")	\$ 742	\$ 685	\$ 57	8.3
EBITDA	\$ 1,488,346	\$ 1,286,762	\$ 201,584	15.7

DISH Network subscribers. DISH Network added approximately 218,000 net subscribers for the six months ended June 30, 2010, compared to a loss of approximately 68,000 net subscribers for the same period in 2009. The change versus the prior period was driven by increased gross new subscriber additions and decreased churn primarily during the first quarter 2010. The increased gross new subscriber additions were primarily a result of our sales and marketing promotions during the period. Churn was positively impacted by the completion of our security access device replacement program during 2009 and an increase in our new subscriber commitment period. Historically, we have experienced slightly higher churn in the months following the expiration of commitments for new subscribers. In February 2008, we extended the new subscriber commitment from 18 to 24 months. During the first quarter 2010, due to this change, we had fewer expiring commitments.

Subscriber-related revenue. DISH Network "Subscriber-related revenue" totaled \$6.176 billion for the six months ended June 30, 2010, an increase of \$433 million or 7.5% compared to the same period in 2009. This change was primarily related to a higher subscriber base during the first half of 2010 compared to the same period in 2009 and the increase in "ARPU" discussed below.

ARPU. "Average monthly revenue per subscriber" was \$72.11 during the six months ended June 30, 2010 versus \$70.38 during the same period in 2009. The \$1.73 or 2.5% increase in ARPU was primarily attributable to price increases in February 2010 and changes in the sales mix toward more advanced hardware offerings. ARPU continues to increase as a result of higher hardware related fees, which include rental fees, fees for DVRs, upgrade fees, and fees earned from our in-home service operations. These increases were partially offset by increases in the amount of promotional discounts on programming offered to our new subscribers.

Equipment sales and other revenue. "Equipment sales and other revenue" totaled \$30 million during the six months ended June 30, 2010, a decrease of \$21 million or 41.1% compared to the same period 2009. The decrease in "Equipment sales and other revenue" primarily resulted from lower sales of non-subsidized digital converter boxes and DBS accessories in 2010 compared to the same period in 2009.

Subscriber-related expenses. "Subscriber-related expenses" totaled \$3.287 billion during the six months ended June 30, 2010, an increase of \$205 million or 6.7% compared to the same period 2009. The increase in "Subscriber-related expenses" was primarily attributable to higher programming costs. The increase in programming costs was driven by rate increases in certain of our programming contracts, including the renewal of certain contracts at higher rates, and an increase in subscribers. In addition, the six months ended June 30, 2009 was positively impacted by a non-recurring programming expense adjustment of approximately \$27 million. We continue to address our operational inefficiencies by streamlining our hardware offerings and making significant investments in staffing, training, information systems, and other initiatives, primarily in our call centers and in-home service operations. "Subscriber-related expenses" represented 53.2% and 53.7% of "Subscriber-related revenue" during the six months ended June 30, 2010 and 2009, respectively. The improvement in this expense to revenue ratio primarily resulted from an increase in "Subscriber-related revenue," partially offset by higher programming costs, discussed above.

Satellite and transmission expenses – EchoStar. "Satellite and transmission expenses – EchoStar" totaled \$209 million during the six months ended June 30, 2010, an increase of \$41 million or 24.2% compared to the same period in 2009. The increase in "Satellite and transmission expenses – EchoStar" is related to an increase in transponder capacity leased from EchoStar primarily related to the Nimiq 5 satellite, which was placed into service in October 2009, and the increase in monthly lease rates per transponder on certain satellites based on the terms of our amended lease agreements. See Note 10 in the Notes to the Condensed Consolidated Financial Statements for further discussion. □ 60; "Satellite and transmission expenses – EchoStar" as a percentage of "Subscriber-related revenue" increased to 3.4% in 2010 from 2.9% in 2009 primarily as a result of the increase in expenses discussed above.

Equipment, services and other cost of sales. "Equipment, services and other cost of sales" totaled \$39 million during the six months ended June 30, 2010, a decrease of \$29 million or 42.4% compared to the same period in 2009. This decrease in "Equipment, services and other cost of sales" primarily resulted from lower sales of non-subsidized digital converter boxes and DBS accessories, and lower charges for slow moving and obsolete inventory during the six months ended June 30, 2010 compared to the same period in 2009.

Subscriber acquisition costs. “Subscriber acquisition costs” totaled \$817 million for the six months ended June 30, 2010, an increase of \$137 million or 20.1% compared to the same period in 2009. This increase was primarily attributable to the increase in gross new subscriber additions discussed previously and higher SAC discussed below.

SAC. SAC was \$742 during the six months ended June 30, 2010 compared to \$685 during the same period in 2009, an increase of \$57 or 8.3%. This increase was driven by increased advertising expenditures and an increase in hardware costs per activation. The increase in hardware cost per activation was due to a decrease in the redeployment of remanufactured receivers driven by lower churn and an increase in the deployment of more advanced set-top boxes, such as HD receivers and HD DVRs. In addition, this increase was partially offset by a reduction in manufacturing costs for new receivers.

During the six months ended June 30, 2010 and 2009, the amount of equipment capitalized under our lease program for new subscribers totaled \$354 million and \$268 million, respectively. This increase in capital expenditures under our lease program for new subscribers resulted primarily from the increase in hardware cost per activation due to a decrease in the redeployment of remanufactured receivers and the increase in gross new subscriber additions.

Our SAC calculation does not reflect any benefit from payments we received in connection with equipment not returned to us from disconnecting lease subscribers and returned equipment that is made available for sale or used in our existing customer lease program rather than being redeployed through our new lease program. During the six months ended June 30, 2010 and 2009, these amounts totaled \$39 million and \$63 million, respectively.

Tivo litigation expense. We recorded \$61 million of additional “Tivo litigation expense” during the six months ended June 30, 2010 for supplemental damages and interest, a \$136 million or 69.0% decrease compared to the same period in 2009. See Note 8 in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Depreciation and amortization. “Depreciation and amortization” expense totaled \$504 million during the six months ended June 30, 2010, a \$35 million or 7.5% increase compared to the same period in 2009. The change in “Depreciation and amortization” expense was primarily due to an increase in depreciation of equipment leased to subscribers and other depreciable assets placed into service to support the DISH Network service.

Interest expense, net of amounts capitalized. “Interest expense, net of amounts capitalized” totaled \$242 million during the six months ended June 30, 2010, an increase of \$58 million or 31.6% compared to the same period in 2009. This change primarily resulted from an increase in interest expense related to the issuance of debt during the second half of 2009.

Other, net. “Other, net” income totaled less than \$1 million during the six months ended June 30, 2010 compared to expense of \$20 million during the same period in 2009. This increase primarily resulted from lower impairment charges on other investment securities in 2010 compared to 2009.

Earnings before interest, taxes, depreciation and amortization. EBITDA was \$1.488 billion during the six months ended June 30, 2010, an increase of \$202 million or 15.7% compared to the same period in 2009. EBITDA for the six months ended June 30, 2010 was positively impacted by the decrease of \$136 million in “Tivo litigation expense.” The following table reconciles EBITDA to the accompanying financial statements.

	For the Six Months Ended June 30,	
	2010	2009
	(In thousands)	
EBITDA	\$ 1,488,346	\$ 1,286,762
Interest expense, net	(234,482)	(177,819)
Income tax (provision) benefit, net	(276,249)	(251,124)
Depreciation and amortization	(503,860)	(468,580)
Net income (loss)	<u>\$ 473,755</u>	<u>\$ 389,239</u>

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS – Continued

EBITDA is not a measure determined in accordance with accounting principles generally accepted in the United States, or GAAP, and should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. EBITDA is used as a measurement of operating efficiency and overall financial performance and we believe it to be a helpful measure for those evaluating companies in the pay-TV industry. Conceptually, EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Income tax (provision) benefit, net. Our income tax provision was \$276 million during the six months ended June 30, 2010, an increase of \$25 million compared to the same period in 2009. The increase in the provision was primarily related to the increase in "Income (loss) before income taxes," partially offset by a decline in our effective tax rate. Our effective tax rate during the six months ended June 30, 2009 was negatively impacted by the establishment of valuation allowances related to certain deferred tax assets which are capital in nature.

Net income (loss). "Net income (loss)" was \$474 million during the six months ended June 30, 2010, an increase of \$85 million compared to \$389 million for the same period in 2009. The increase was primarily attributable to the changes in revenue and expenses discussed above.

New Accounting Pronouncements**Revenue Recognition – Multiple-Deliverable Arrangements**

In October 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2009-13 ("ASU 2009-13"), Revenue Recognition - Multiple-Deliverable Revenue Arrangements. ASU 2009-13 changes the requirements for establishing separate units of accounting in a multiple deliverable arrangement and requires the allocation of arrangement consideration to each deliverable to be based on the relative selling price. We are currently evaluating the impact, if any, ASU 2009-13 will have on our consolidated financial statements, when adopted, as required, on January 1, 2011.

Item 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 1. LEGAL PROCEEDINGS

In connection with the Spin-off, DISH entered into a separation agreement with EchoStar, which provides among other things for the division of certain liabilities, including liabilities resulting from litigation. Under the terms of the separation agreement, EchoStar has assumed certain liabilities that relate to its business including certain designated liabilities for acts or omissions prior to the Spin-off. Certain specific provisions govern intellectual property related claims under which, generally, EchoStar will only be liable for its acts or omissions following the Spin-off and DISH will indemnify EchoStar for any liabilities or damages resulting from intellectual property claims relating to the period prior to the Spin-off as well as its acts or omissions following the Spin-off.

Acacia

During 2004, Acacia Media Technologies (“Acacia”) filed a lawsuit against us and EchoStar in the United States District Court for the Northern District of California. The suit also named DirecTV, Comcast, Charter, Cox and a number of smaller cable companies as defendants. Acacia is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. The suit alleges infringement of United States Patent Nos. 5,132,992; 5,253,275; 5,550,863; 6,002,720; and 6,144,702, which relate to certain systems and methods for transmission of digital data. On September 25, 2009, the District Court granted summary judgment to the defendants on invalidity grounds, and dismissed the action with prejudice. The plaintiffs have appealed.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Broadcast Innovation, L.L.C.

During 2001, Broadcast Innovation, L.L.C. (“Broadcast Innovation”) filed a lawsuit against us, EchoStar, DirecTV, Thomson Consumer Electronics and others in United States District Court in Denver, Colorado. Broadcast Innovation is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. The suit alleges infringement of United States Patent Nos. 6,076,094 (the ‘094 patent) and 4,992,066 (the ‘066 patent). The ‘094 patent relates to certain methods and devices for transmitting and receiving data along with specific formatting information for the data. The ‘066 patent relates to certain methods and devices for providing the scrambling circuitry for a pay television system on removable cards. Subsequently, DirecTV and Thomson settled with Broadcast Innovation leaving us as the only defendant.

During 2004, the District Court issued an order finding the ‘066 patent invalid. Also in 2004, the District Court found the ‘094 patent invalid in a parallel case filed by Broadcast Innovation against Charter and Comcast. In 2005, the United States Court of Appeals for the Federal Circuit overturned that finding of invalidity with respect to the ‘094 patent and remanded the Charter case back to the District Court. During June 2006, Charter filed a reexamination request with the United States Patent and Trademark Office. The District Court has stayed the Charter case pending reexamination, and our case has been stayed pending resolution of the Charter case.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Channel Bundling Class Action

During 2007, a purported class of cable and satellite subscribers filed an antitrust action against us in the United States District Court for the Central District of California. The suit also names as defendants DirecTV, Comcast, Cablevision, Cox, Charter, Time Warner, Inc., Time Warner Cable, NBC Universal, Viacom, Fox Entertainment Group, and Walt Disney Company. The suit alleges, among other things, that the defendants engaged in a

PART II – OTHER INFORMATION – Continued

conspiracy to provide customers with access only to bundled channel offerings as opposed to giving customers the ability to purchase channels on an “a la carte” basis. On October 16, 2009, the District Court granted defendants’ motion to dismiss with prejudice. The plaintiffs have appealed. We intend to vigorously defend this case. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

ESPN

During 2008, we filed a lawsuit against ESPN, Inc., ESPN Classic, Inc., ABC Cable Networks Group, Soapnet L.L.C., and International Family Entertainment (collectively, “ESPN”) for breach of contract in New York State Supreme Court. Our complaint alleges that ESPN failed to provide us with certain high-definition feeds of the Disney Channel, ESPN News, Toon, and ABC Family. ESPN asserted a counterclaim, and then filed a motion for summary judgment, alleging that we owed approximately \$35 million under the applicable affiliation agreements. We brought a motion to amend our complaint to assert that ESPN was in breach of certain most-favored-nation provisions under the applicable affiliation agreements. On April 15, 2009, the trial court granted our motion to amend the complaint, and granted, in part, ESPN’s motion on the counterclaim, finding that we are liable for some of the amount alleged to be owing but that the actual amount owing is disputed. We appealed the partial grant of ESPN’s motion to the New York trial court. After the partial grant of ESPN’s motion, ESPN sought an additional \$30 million under the applicable affiliation agreements. On March 15, 2010, the trial court affirmed the prior grant of ESPN’s motion and ruled that we owe the full amount of approximately \$65 million under the applicable affiliation agreement. Although the court ruled we owe approximately \$65 million, there can be no assurance that ESPN will not seek, and that the court will not award, an amount that exceeds this amount. We have appealed the court’s ruling. We intend to vigorously prosecute and defend this case. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Finisar Corporation

Finisar Corporation (“Finisar”) obtained a \$100 million verdict in the United States District Court for the Eastern District of Texas against DirecTV for patent infringement. Finisar, an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein, alleged that DirecTV’s electronic program guide and other elements of its system infringe United States Patent No. 5,404,505 (the ‘505 patent).

During 2006, we and EchoStar, together with NagraStar LLC, filed a Complaint for Declaratory Judgment in the United States District Court for the District of Delaware against Finisar that asks the Court to declare that we do not infringe, and have not infringed, any valid claim of the ‘505 patent. Finisar brought counterclaims against us, EchoStar and NagraStar alleging that we infringed the ‘505 patent. During April 2008, the Federal Circuit reversed the judgment against DirecTV and ordered a new trial. On remand, the District Court granted summary judgment in favor of DirecTV and during January 2010, the Federal Circuit affirmed the District Court’s grant of summary judgment, and dismissed the action with prejudice. Finisar then agreed to dismiss its counterclaims against us, EchoStar and NagraStar without prejudice. We also agreed to dismiss our Declaratory Judgment action without prejudice.

Katz Communications

During 2007, Ronald A. Katz Technology Licensing, L.P. (“Katz”) filed a patent infringement action against us in the United States District Court for the Northern District of California. The suit alleges infringement of 19 patents owned by Katz. The patents relate to interactive voice response, or IVR, technology.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

NorthPoint Technology

On July 2, 2009, NorthPoint Technology, Ltd. filed suit against us, EchoStar, and DirecTV in the United States District Court for the Western District of Texas alleging infringement of United States Patent No. 6,208,636 (the ‘636 patent). The ‘636 patent relates to the use of multiple low-noise block converter feedhorns, or LNBFs, which are antennas used for satellite reception.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Personalized Media Communications

During 2008, Personalized Media Communications, Inc. (“PMC”) filed suit against us, EchoStar and Motorola, Inc. in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent Nos. 4,694,490; 5,109,414; 4,965,825; 5,233,654; 5,335,277; and 5,887,243, which relate to satellite signal processing. PMC is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Retailer Class Actions

During 2000, lawsuits were filed by retailers in Colorado state and federal courts attempting to certify nationwide classes on behalf of certain of our retailers. The plaintiffs are requesting the Courts declare certain provisions of, and changes to, alleged agreements between us and the retailers invalid and unenforceable, and to award damages for lost incentives and payments, charge backs and other compensation. We have asserted a variety of counterclaims. The federal court action has been stayed during the pendency of the state court action. We filed a motion for summary judgment on all counts and against all plaintiffs. The plaintiffs filed a motion for additional time to conduct discovery to enable them to respond to our motion. The state court granted limited discovery which ended during 2004. The plaintiffs claimed we did not provide adequate disclosure during the discovery process. The state court agreed, and denied our motion for summary judgment as a result. In April 2008, the state court granted plaintiff’s class certification motion and in January 2009, the state court entered an order excluding certain evidence that we can present at trial based on the prior discovery issues. The state court also denied plaintiffs’ request to dismiss our counterclaims. In May 2009, plaintiffs filed a motion for default judgment based on new allegations of discovery misconduct. In April 2010, the court denied plaintiffs’ motion for default judgment, but upheld its prior order excluding certain evidence. Trial is scheduled to commence on October 12, 2010. Before trial, the court will hold a hearing to establish the scope of its prior evidentiary order, including the scope of an adverse inference jury instruction. We intend to vigorously defend this case. We cannot predict with any degree of certainty the outcome of the lawsuit or determine the extent of any potential liability or damages.

Technology Development Licensing

On January 22, 2009, Technology Development and Licensing LLC (“TDL”) filed suit against us and EchoStar in the United States District Court for the Northern District of Illinois alleging infringement of United States Patent No. 35,952, which relates to certain favorite channel features. TDL is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. In July 2009, the Court granted our motion to stay the case pending two re-examination petitions before the Patent and Trademark Office.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Tivo Inc.

During January 2008, the United States Court of Appeals for the Federal Circuit affirmed in part and reversed in part the April 2006 jury verdict concluding that certain of our digital video recorders, or DVRs, infringed a patent held by Tivo. As of September 2008, we had recorded a total reserve of \$132 million on our Condensed Consolidated Balance Sheets to reflect the April 2006 jury verdict, supplemental damages through September 2006 and pre-judgment interest awarded by the Texas court, together with the estimated cost of potential further software infringement prior to implementation of our alternative technology, discussed below, plus interest subsequent to entry of the judgment. In its January 2008 decision, the Federal Circuit affirmed the jury's verdict of infringement on Tivo's "software claims," and upheld the award of damages from the District Court. The Federal Circuit, however, found that we did not literally infringe Tivo's "hardware claims," and remanded such claims back to the District Court for further proceedings. On October 6, 2008, the Supreme Court denied our petition for certiorari. As a result, approximately \$105 million of the total \$132 million reserve was released from an escrow account to Tivo.

We also developed and deployed "next-generation" DVR software. This improved software was automatically downloaded to our current customers' DVRs, and is fully operational (our "original alternative technology"). The download was completed as of April 2007. We received written legal opinions from outside counsel that concluded our original alternative technology does not infringe, literally or under the doctrine of equivalents, either the hardware or software claims of Tivo's patent. Tivo filed a motion for contempt alleging that we are in violation of the Court's injunction. We opposed this motion on the grounds that the injunction did not apply to DVRs that have received our original alternative technology, that our original alternative technology does not infringe Tivo's patent, and that we were in compliance with the injunction.

In June 2009, the United States District Court granted Tivo's motion for contempt, finding that our original alternative technology was not more than colorably different than the products found by the jury to infringe Tivo's patent, that our original alternative technology still infringed the software claims, and that even if our original alternative technology was "non-infringing," the original injunction by its terms required that we disable DVR functionality in all but approximately 192,000 digital set-top boxes in the field. The District Court also amended its original injunction to require that we inform the court of any further attempts to design-around Tivo's patent and seek approval from the court before any such design around is implemented. The District Court awarded Tivo \$103 million in supplemental damages and interest for the period from September 2006 through April 2008, based on an assumed \$1.25 per subscriber per month royalty rate. We posted a bond to secure that award pending appeal of the contempt order. On July 1, 2009, the Federal Circuit Court of Appeals granted a permanent stay of the District Court's contempt order pending resolution of our appeal.

The District Court held a hearing on July 28, 2009 on Tivo's claims for contempt sanctions. Tivo sought up to \$975 million in contempt sanctions for the period from April 2008 to June 2009 based on, among other things, profits Tivo alleges we made from subscribers using DVRs. We opposed Tivo's request arguing, among other things, that sanctions are inappropriate because we made good faith efforts to comply with the Court's injunction. We also challenged Tivo's calculation of profits. On September 4, 2009, the District Court partially granted Tivo's motion for contempt sanctions and awarded \$2.25 per DVR subscriber per month for the period from April 2008 to July 2009 (as compared to the award for supplemental damages for the prior period from September 2006 to April 2008, which was based on an assumed \$1.25 per DVR subscriber per month). By the District Court's estimation, the total award for the period from April 2008 to July 2009 is approximately \$200 million. The District Court also awarded Tivo its attorneys' fees and costs incurred during the contempt proceedings. Enforcement of these awards has been stayed by the District Court pending resolution of our appeal of the underlying June 2009 contempt order. On February 8, 2010, we and Tivo submitted a stipulation to the District Court that the attorneys' fees and costs, including expert witness fees and costs, that Tivo incurred during the contempt proceedings amounted to \$6 million.

PART II – OTHER INFORMATION – Continued

During the year ended December 31, 2009 and the six months ended June 30, 2010, we increased our total reserve by \$361 million and \$61 million, respectively, to reflect the supplemental damages and interest for the period from implementation of our original alternative technology through April 2008 and for the estimated cost of alleged software infringement (including contempt sanctions for the period from April 2008 through June 2009) for the period from April 2008 through June 2010 plus interest. Our total reserve at June 30, 2010 was \$454 million and is included in “Tivo litigation accrual” on our Condensed Consolidated Balance Sheets.

In light of the District Court’s finding of contempt, and its description of the manner in which it believes our original alternative technology infringed the ‘389 patent, we are also developing and testing potential new alternative technology in an engineering environment. As part of EchoStar’s development process, EchoStar downloaded several of our design-around options to less than 1,000 subscribers for “beta” testing. On March 11, 2010, we requested that the District Court approve the implementation of one of our design-around options on an expedited basis. There can be no assurance that the District Court will approve this request.

Oral argument on our appeal of the contempt ruling took place on November 2, 2009, before a three-judge panel of the Federal Circuit Court of Appeals. On March 4, 2010, the Federal Circuit affirmed the District Court’s contempt order in a 2-1 decision. On May 14, 2010, our petition for en banc review of that decision by the full Federal Circuit was granted and the opinion of the three-judge panel was vacated. Oral argument is scheduled for November 9, 2010. There can be no assurance that the full Federal Circuit will reverse the decision of the three-judge panel. Tivo has stated that it will seek additional damages for the period from June 2009 to the present. Although we have accrued our best estimate of damages, contempt sanctions and interest through June 30, 2010, there can be no assurance that Tivo will not seek, and that the court will not award, an amount that exceeds our accrual.

On June 4, 2010, the Patent and Trademark Office (the “PTO”) issued a final office action rejecting the software claims of United States Patent No. 6,233,389 (the ‘389 patent) as being invalid in light of two prior patents. These are the same software claims that we were found to have infringed and which underlie the contempt ruling that we are now appealing. We believe that the PTO’s conclusions are relevant to the issues on appeal. The PTO’s conclusions support our position that our original alternative technology is more than colorably different than the devices found to infringe by the jury; that our original alternative technology does not infringe; and that we acted in good faith to design around Tivo’s patent.

If we are unsuccessful in overturning the District Court’s ruling on Tivo’s motion for contempt, we are not successful in developing and deploying potential new alternative technology and we are unable to reach a license agreement with Tivo on reasonable terms, we may be required to eliminate DVR functionality in all but approximately 192,000 digital set-top boxes in the field and cease distribution of digital set-top boxes with DVR functionality. In that event we would be at a significant disadvantage to our competitors who could continue offering DVR functionality, which would likely result in a significant decrease in new subscriber additions as well as a substantial loss of current subscribers. Furthermore, the inability to offer DVR functionality could cause certain of our distribution channels to terminate or significantly decrease their marketing of DISH Network services. The adverse effect on our financial position and results of operations if the District Court’s contempt order is upheld is likely to be significant. Additionally, the supplemental damage award of \$103 million and further award of approximately \$200 million does not include damages, contempt sanctions or interest for the period after June 2009. In the event that we are unsuccessful in our appeal, we could also have to pay substantial additional damages, contempt sanctions and interest. Depending on the amount of any additional damage or sanction award or any monetary settlement, we may be required to raise additional capital at a time and in circumstances in which we would normally not raise capital. Therefore, any capital we raise may be on terms that are unfavorable to us, which might adversely affect our financial position and results of operations and might also impair our ability to raise capital on acceptable terms in the future to fund our own operations and initiatives. We believe the cost of such capital and its terms and conditions may be substantially less attractive than our previous financings.

If we are successful in overturning the District Court’s ruling on Tivo’s motion for contempt, but unsuccessful in defending against any subsequent claim in a new action that our original alternative technology or any potential new alternative technology infringes Tivo’s patent, we could be prohibited from distributing DVRs or could be required to modify or eliminate our then-current DVR functionality in some or all set-top boxes in the field. In that event we

would be at a significant disadvantage to our competitors who could continue offering DVR functionality and the adverse effect on our business would be material. We could also have to pay substantial additional damages.

Because both we and EchoStar are defendants in the Tivo lawsuit, we and EchoStar are jointly and severally liable to Tivo for any final damages and sanctions that may be awarded by the District Court. DISH has determined that it is obligated under the agreements entered into in connection with the Spin-off to indemnify EchoStar for substantially all liability arising from this lawsuit. EchoStar contributed an amount equal to its \$5 million intellectual property liability limit under the Receiver Agreement. DISH and EchoStar have further agreed that EchoStar's \$5 million contribution would not exhaust EchoStar's liability to DISH for other intellectual property claims that may arise under the Receiver Agreement. DISH and EchoStar also agreed that they would each be entitled to joint ownership of, and a cross-license to use, any intellectual property developed in connection with any potential new alternative technology.

Voom

On May 28, 2008, Voom HD Holdings ("Voom") filed a complaint against us in New York Supreme Court. The suit alleges breach of contract arising from our termination of the affiliation agreement we had with Voom for the carriage of certain Voom HD channels on the DISH Network satellite television service. In January 2008, Voom sought a preliminary injunction to prevent us from terminating the agreement. The Court denied Voom's motion, finding, among other things, that Voom was not likely to prevail on the merits of its case. Voom is claiming over \$2.5 billion in damages. We intend to vigorously defend this case. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Other

In addition to the above actions, we are subject to various other legal proceedings and claims which arise in the ordinary course of business, including among other things, disputes with programmers regarding fees. In our opinion, the amount of ultimate liability with respect to any of these actions is unlikely to materially affect our financial position, results of operations or liquidity.

Item 1A. RISK FACTORS

Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2009 includes a detailed discussion of our risk factors. During the six months ended June 30, 2010, there were no material changes in risk factors as previously disclosed.

Item 6. EXHIBITS

(a) Exhibits.

- 31.1☐ Section 302 Certification of Chief Executive Officer.
- 31.2☐ Section 302 Certification of Chief Financial Officer.
- 32.1☐ Section 906 Certification of Chief Executive Officer.
- 32.2☐ Section 906 Certification of Chief Financial Officer.

☐ Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DISH DBS CORPORATION

By: /s/ Charles W. Ergen
Charles W. Ergen
Chairman, President and Chief Executive Officer
(Duly Authorized Officer)

By: /s/ Robert E. Olson
Robert E. Olson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 13, 2010

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Section 302 Certification

I, Charles W. Ergen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DISH DBS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2010

/s/ Charles W. Ergen

Chairman, President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 302 Certification

I, Robert E. Olson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DISH DBS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2010

/s/ Robert E. Olson

Executive Vice President and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Section 906 Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of DISH DBS Corporation (the "Company") hereby certifies that to the best of his knowledge the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2010 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 13, 2010

Name: /s/ Charles W. Ergen

Title: Chairman, President and
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 906 Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of DISH DBS Corporation (the "Company") hereby certifies that to the best of his knowledge the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2010 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 13, 2010

Name: /s/ Robert E. Olson

Title: Executive Vice President and
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.